

STATE OF DELAWARE
THE PUBLIC SERVICE COMMISSION
861 SILVER LAKE BOULEVARD
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE: (302) 736-7500
FAX: (302) 736-4849

February 6, 2012

MEMORANDUM

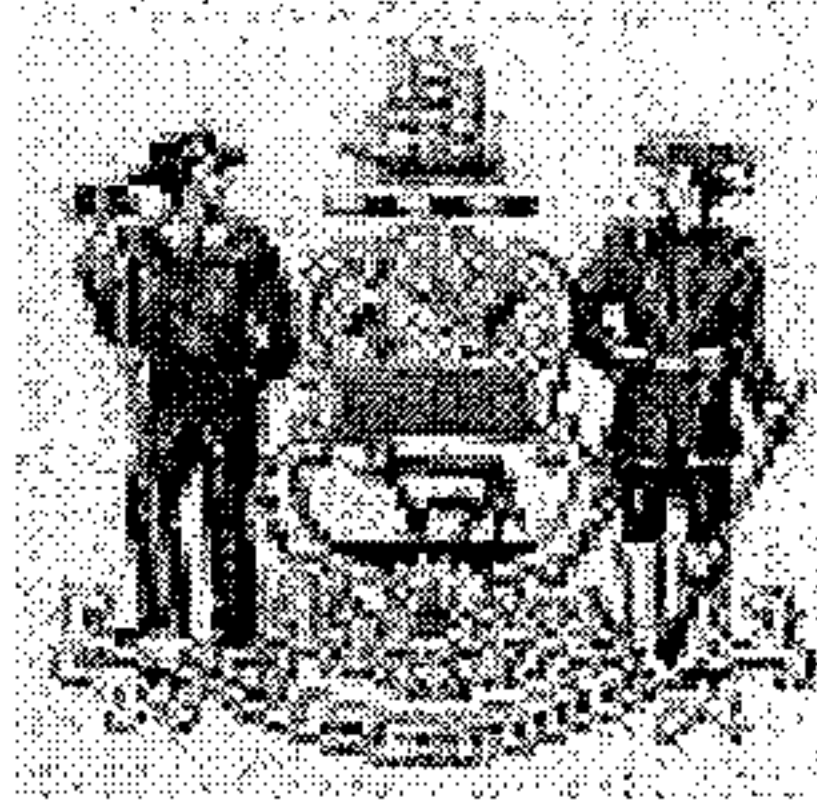
TO: The Members of the Commission
FROM: Robert J. Howatt, Executive Director

A handwritten signature in dark ink, appearing to be 'R. Howatt'.

SUBJECT: IN THE MATTER OF THE APPLICATION)
OF CHESAPEAKE UTILITIES)
CORPORATION FOR APPROVAL OF)
NATURAL GAS EXPANSION SERVICE) PSC DOCKET NO. 12-292
OFFERINGS)
(FILED JUNE 25, 2012))

Enclosed is the Hearing Examiner's Report in the above-captioned matter. Written exceptions are due no later than 4:30 pm on Tuesday February 26, 2013. Thereafter the matter will be considered at the Commission's meeting on Tuesday, March 5, 2013.

RH/mlh
Enclosure
cc: Service List



STATE OF DELAWARE
THE PUBLIC SERVICE COMMISSION
861 SILVER LAKE BOULEVARD
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE: (302) 736-7500
FAX: (302) 736-4849

February 6, 2013

To: The Parties Listed on the Attached Service List

Re: PSC Docket No 12-292
(Chesapeake Utilities' Natural Gas Expansion Service Offerings)

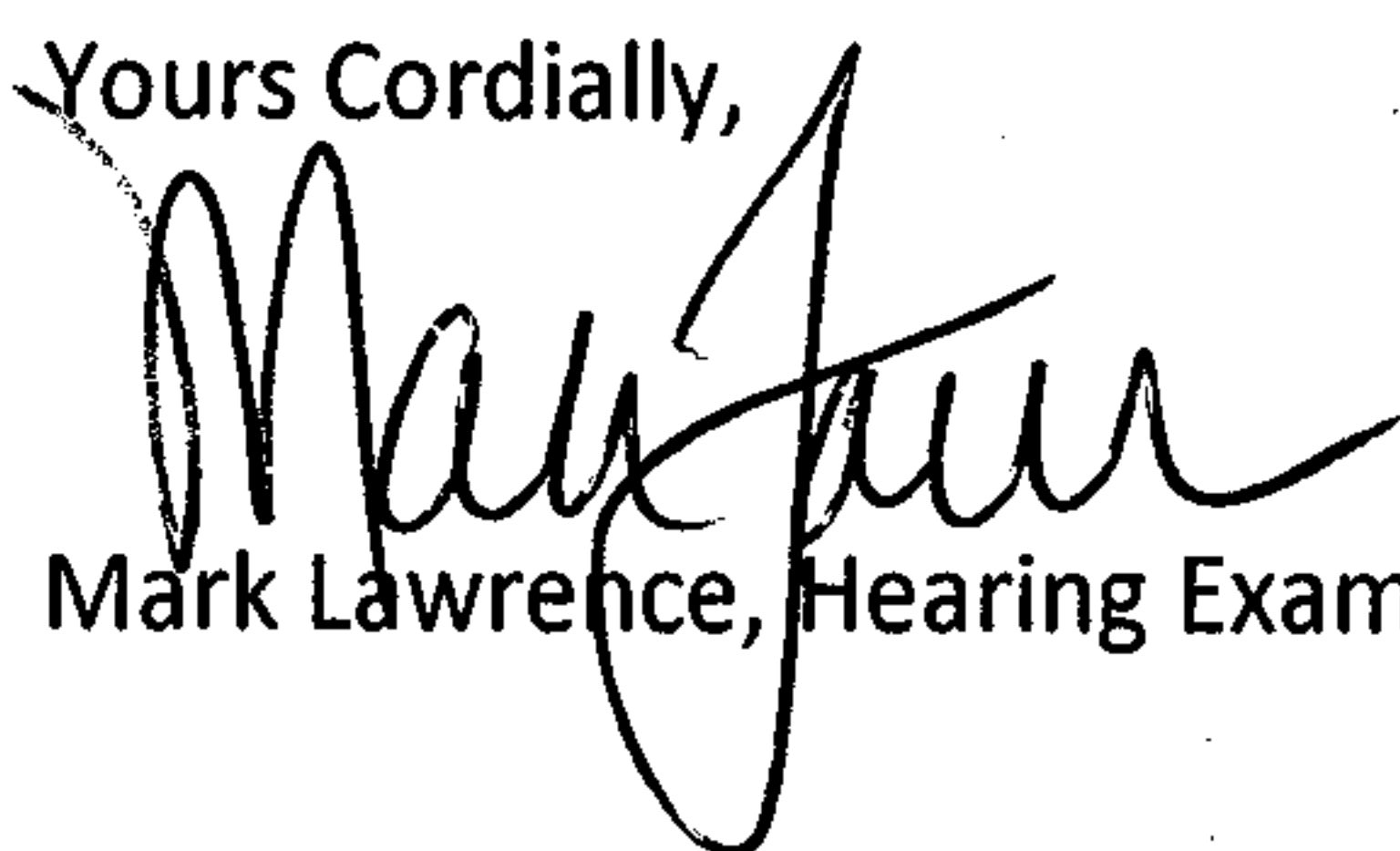
Dear Parties:

I attach my Hearing Examiner's Report and a proposed Commission Order. The exception deadline is February 26, 2013 at 4:30 p.m.

Finally, I attach the current Service List for this docket.

If you have any questions, please feel free to contact me.

Yours Cordially,


Mark Lawrence, Hearing Examiner

Enclosures (HE's Report w/ Proposed Order, Service List)

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

ORIGINAL
DO NOT REMOVE FROM OFFICE

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION FOR)
APPROVAL OF NATURAL GAS EXPANSION)
SERVICE OFFERINGS)
(FILED JUNE 25, 2012))

PSC DOCKET NO. 12-292

REPORT AND RECOMMENDATIONS OF THE HEARING EXAMINER

DATE: February 6, 2013

MARK LAWRENCE
HEARING EXAMINER

TABLE OF CONTENTS

	<u>PAGE</u>
I. APPEARANCES	1
II. BACKGROUND	3
A. Application	3
B. Procedural History	7
III. PUBLIC ADVOCATE'S MOTION TO CLOSE DOCKET & RESPONSES FROM OTHER PARTIES	8
IV. COMPANY'S RESPONSE TO PUBLIC ADVOCATE'S MOTION TO CLOSE DOCKET	13
V. DISCUSSION OF JURISDICTION & COMPANY BACKGROUND	17
A. Jurisdiction	17
B. Company Background & 2007 Base Rate Commission Docket.	18
VI. DISCUSSION OF WHETHER TO CLOSE DOCKET & COMPANY'S REQUEST FOR INTERIM "IES" RATE	19
A. Early Stage of this Docket requires Docket to Proceed	19
B. Public Advocate's Three Reasons For Closing Docket Adequately Refuted By Most Parties	21
C. Delaware Law And Public Policy Dictate that the Docket Not Be Closed	21
D. Company's Request for Interim Infrastructure Expansion Service ("IES") Rate Should Be Denied	26
VII. RECOMMENDATIONS	29

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)	
CHESAPEAKE UTILITIES CORPORATION FOR)	
APPROVAL OF NATURAL GAS EXPANSION)	PSC DOCKET NO. 12-292
SERVICE OFFERINGS)	
(FILED JUNE 25, 2012))	

REPORT AND RECOMMENDATIONS OF THE HEARING EXAMINER

Mark Lawrence, the duly appointed Hearing Examiner in this Docket pursuant to 26 Del. C. §502 and 29 Del. C. Ch. 101, by the Commission Order No. 8174 dated July 3, 2012, reports to the Commission as follows:

I. APPEARANCES

On Behalf of the Applicant, Chesapeake Utilities Corporation Delaware Division ("Chesapeake" or "Company"):

Parkowski, Guerke & Swayze, P.A.,
BY: WILLIAM A. DENMAN, ESQUIRE
Jeffrey R. Tietbohl, Vice President

On behalf of the Public Service Commission Staff ("Staff"):

Julie Donoghue, ESQUIRE, Deputy Attorney General
Susan B. Neidig, Senior Regulatory Policy Administrator

On behalf of the Division Public Advocate ("DPA"):

BY: REGINA A. IORII, ESQUIRE, Deputy Attorney General

Michael D. Sheehy, THE PUBLIC ADVOCATE

On behalf of Delmarva Power & Light Company ("Delmarva")

BY: PAMELA J. SCOTT, ESQUIRE

On behalf of the Caesar Rodney Institute, Center for Energy
Competitiveness ("CRI")

BY: DAVID T. STEVENSON, DIRECTOR

On behalf of the Delaware Association of Alternative Energy
Providers, Inc. ("DAAEP")

BY: GLENN C. KENTON, ESQUIRE and TODD A. COOMES, ESQUIRE;
RICHARDS, LAYTON and FINGER, P.A.

Adam Lambert, President

On behalf of Delaware's Department of Natural Resources ("DNREC")

BY: RALPH K. DURSTEIN III, ESQUIRE, Deputy Attorney General

VALERIE SATTERFIELD, ESQUIRE, Deputy Attorney General

II. BACKGROUND

A. Application

1. On June 25, 2012, the Delaware Division of Chesapeake Utilities Corporation ("Chesapeake" or "the Company") filed an Application seeking Commission approval: a) to establish and utilize an alternative rate design and rate structure to lower the amount of up-front contributions from new customers from regarding the Company's expansion into areas of eastern Sussex County (the "Infrastructure Expansion Service Rate" or "IES rate"); and b) to establish a Distribution Expansion Service ("DES") Rate for all customers which "would be utilized by Chesapeake to support the necessary resources and administrative requirements to facilitate the large number of anticipated conversions from propane, fuel oil, and electricity to natural gas."¹ (Application, ¶¶7,8.)

2. According to Chesapeake's Application: the Infrastructure Expansion Service ("IES") Rate would cost residential customers either \$8.00 per month or \$25.00 per month depending on whether or not they are a heating customer. For a typical residential service (R-2) customer using 50 Mcf of natural gas annually who needs an approximately thirty (30) foot main extension, if Chesapeake's Application is approved, the up-front capital cost of \$627 per customer of providing service to a customer in an existing development would generally be eliminated.² (Applic. ¶7; Tietbohl, pp.18-19.)

¹ The Exhibits attached to this Report will be referred to as, for example "Exhibit 1," using the complete word "Exhibit."

² As a condition of receiving service, each new customer would pay this non-refundable CIAC fee to Chesapeake to offset the acquisition, improvement or construction costs of facilities to provide service to that customer.

3. As proposed, the IES rate would be \$40.00 per month for Expansion Area General Service, \$125.00 per month for Expansion Area Medium Volume Service, while Large Volume Service and High Load factor Service Customers would not be charged this rate. (*Id.*)

4. Regarding the proposed the Distribution Service ("DES") rate, as shown in the graph below, this charge would cost \$1.25 per month for current customer classifications (i.e., RS-1, RS-2, GS, MVS, LVS and HLFS), and the proposed expansion classifications (i.e., ERS-1, ERS-2, EGS and EMVS) would increase as follows:

Rate Schedule (Customer Class)	Current Monthly Customer Charge	Proposed Monthly Customer Charge
RS-1	\$10.50	\$11.75
RS-2	\$13.00	\$14.25
GS	\$26.00	\$27.25
MVS	\$65.00	\$66.25
LVS	\$125.00	\$126.25
HLFS	\$75.00	\$76.25
ERS-1	n/a	\$19.75
ERS-2	n/a	\$39.25
EGS	n/a	\$67.25
EMVS	n/a	\$191.25

(Applic., Public Notice, ¶8.)

(Applic., Tietbohl, p.18, LL 12-22.) Currently, Chesapeake's Tariff permits either "a CIAC fee, a Customer Advance, a Letter of Credit or other financial guarantee at the Company's Discretion." (P.S.C. Del. No.4, 3rd Rev. Sheet No. 12.2, §VI, 6.3.)

5. The proposed expansion service offerings also include an optional Conversion Finance Service to provide financing for new residential and commercial customers in any Delaware county seeking to convert existing equipment and fuel piping to natural gas. If approved, the maximum amount of financing for residential customers is \$1,500 and \$3,000 for commercial customers. (Applic., ¶9.) Customers would have the option of "payback periods of 3, 5 or 10 years, with a return component payable to the Company at a rate equal to the Company's authorized rate of return." (Id.) The monthly charges would depend upon the conversion cost and selected payment option. (Id.) Also, Chesapeake has proposed an optional \$100 Conversion Management Service fee for the Company to assist outside contractors with coordinating the conversion work for new customers in any Delaware county. (Id. at ¶¶7-9; Applic., Tietbohl, p.14, LL 7-15.)

6. Finally, the Application includes proposed a tariff change which "would allow Chesapeake to evaluate the economics of service installations and main extensions to new and existing residential developments based on an Internal Rate of Return Model, as opposed to the existing six times net-revenue test" which currently requires that the total estimated capital expenditure for a service installation cannot exceed 6 times the estimated amount of net revenue.³ Chesapeake also sought a tariff change which would prohibit charging customers for (a) a service installation of less than seventy-five (75) feet from an existing distribution main; and (b) any distribution main

³ Chesapeake also seeks to eliminate the current tariff requirement that, to be included in the six times net-revenue test, the customer must have signed an application for service and are able to convert to natural gas within ninety (90) days. (Tietbohl, p.27, LL 19-21.)

extension of less than one hundred (100) feet. (*Id.* at ¶10; Tietbohl, p.27 LL 16-17 & *Id.* at ¶11; Tietbohl, p.27 LL 16-17, respectively.)

7. In its Application, the Company states that it recently "executed three new franchise agreements with the following towns or cities in southeastern Sussex County: 1) Town of Lewes; 2) Town of Frankford; and 3) Town of Selbyville." (Tietbohl, p.8 LL 19-22.) According to the Application, "Chesapeake has received an unprecedented amount of interest from southeastern Sussex County residents and developers as nearly fifty (50) residential subdivisions have expressed some level of interest in receiving natural gas service."⁴ (*Id.* at p.9, LL 9-12.)

8. Although none of these three (3) Franchise Agreements were filed of record, the pre-filed testimony of Chesapeake's Vice President Jeffrey R. Tietbohl attached to the Application discusses portions of Chesapeake's Franchise Agreement with the Town of Lewes. According to that Franchise Agreement, Chesapeake is required to offer residential service to 25% of Lewes' residents within 5 years, 60% within 10 years, and 100% of the residents must be offered service within 15 years. (*Id.* at p.9, LL 16-21.) The Company's Application does not state whether Chesapeake's Franchise Agreements with the Town of Frankford or the Town of Selbyville contain "phase-in" periods for residential service. The Application also does not describe where

⁴ 44 homeowners of the Bay Breeze Estates residential development, the Hawkseye Property Owners Association, and Nick Hammonds, Principal of Sussex County Developer Jack Lingo Asset Management LLC, also filed letters with the Commission supporting the Company's proposed expansion of natural gas service in Sussex County. Maybe Chesapeake is aware of an "unprecedented amount of interest" from customers who want to convert to natural gas, but the filings with the Commission to date do not reflect it.

Chesapeake is currently providing non-residential service i.e. commercial industrial, etc. in or near Lewes, Frankford or Selbyville.

B. Procedural History

9. By PSC Order No. 8174 (July 3, 2012), the Commission suspended the proposed September 1, 2012 effective date of the Company's proposed new rates, service offerings and tariff revisions, pending further investigation, public proceedings and a final Order. (§§1,2.) The Commission also ordered that notice of the Company's Application and the proposed rate changes be published in Delaware newspapers as required by law. (§3.)

10. In PSC Order No. 8174, the Commission appointed me as the Hearing Examiner with "the authority to deny Chesapeake's request for an effective date of September 1, 2012 [for the proposed new rates, service offerings and tariff revisions] if that date will not allow for the development of a full and complete record and subsequent Commission action." (§4.) However, the September 1, 2012 deadline expired without Chesapeake pursuing that the proposed new rates, service offerings and tariff revisions become effective on an interim or temporary basis.

11. On July 3, 2012, pursuant to its statutory right, the Division of Public Advocate ("DPA") intervened as a party in this docket. (See 29 Del. C. §8716(g).) Thereafter, I permitted the following four (4) entities to intervene: the Delaware Association of Alternative Energy Providers ("DAAEP"),⁵ Delmarva Power & Light

⁵ PSC Order No. 8210 (Aug. 22, 2012). Despite Chesapeake's vigorous objection, I permitted DAAEP to intervene. "DAAEP's members share a similar interest in the distribution and sale of alternative energy supplies and services to

Company,⁶ The Caesar Rodney Institute,⁷ and Delaware's Department of Natural Resources ("DNREC").⁸

12. The parties decided not to enter into the formal Procedural Schedule I proposed to them. Between themselves, the parties then engaged in informal discovery, conducted workshops on October 15, 2012 and December 10, 2012, and exchanged confidential "position papers" detailing their respective positions. Except for the pre-filed testimony of Chesapeake's Vice President Jeffery R. Tietbohl filed along with the Company's Application in June, 2012, no other pre-filed testimony was filed. The parties chose not to establish an evidentiary record. Due to the filing of the Public Advocate's Motion to Close Docket, I have not held a Public Comment Session or an evidentiary hearing.

III. PUBLIC ADVOCATE'S MOTION TO CLOSE DOCKET & RESPONSES FROM OTHER PARTIES

13. On January 4, 2013, Public Advocate Michael Sheehy, an Intervener, filed a Motion to Close Docket. The Motion is attached as Exhibit "1". The Motion states the Public Advocate does not support the Company's Application "although [the Public Advocate's] support for expansion of natural gas infrastructure into un-served and underserved portions of Delaware continues." (p.3, ¶10.) According to the Public Advocate, "... to proceed further with this docket without the benefit of the expense and revenue data obtained thorough a normal

their customers for use in heating and other residential and commercial uses." (Id. at §6.) "Chesapeake has an unregulated propane subsidiary, Sharp Propane, which competes with all of DAAEP's members." (Id.)

⁶ PSC Order No. 8205 (Aug. 24, 2012).

⁷ PSC Order No. 8213 (Sept. 6, 2012).

⁸ PSC Order No. 8206 (Aug. 15, 2012).

rate case proceeding would be a waste of this Commission's time and resources, as well as those of the intervening parties." (*Id.*)

14. The Public Advocate's Motion to Close Docket argues as follows:

"The Public Advocate wants to make clear that he does not oppose the expansion of natural gas service into areas that do not currently have natural gas service. But the Public Advocate contends that the Company's application for expansion rates is deficient in three respects: (1) the Company has never attempted to implement any proposed expansion under its tariffed "Experimental Area Expansion Program" [which required the Company to establish one, 18 month program for one geographical area, so that true expansion costs could be monitored]; (2) it constitutes single-issue ratemaking [which considers changes in isolation thereby risking overpayment of revenue to a utility], to which the Public Advocate is adamantly opposed; and (3) under the proposed DES [Distribution Expansion Service] rate, current customers would subsidize the expansion of natural gas service to future customers.

The Public Advocate continues his strong opposition to such subsidies. The Public Advocate respectfully submits that these deficiencies justify the Commission to order that this proposed expansion plan be considered in the context of a full rate case where all of the Company's revenues and costs can be examined to determine the most economic and efficient way to further the goal of extending natural gas service in Delaware."

(p.4, ¶10.)

I will address the merits of the Public Advocate's Motion in the Discussion section of this Report. However, I will now discuss the other parties' Responses to the Public Advocate's Motion to Close Docket.

15. **CRI's Response.** On January 7, 2013, I required all parties to respond to the Public Advocate's Motion to Close Docket on or before January 23, 2013. On January 7, 2013, without offering any additional argument, Intervener The Caesar Rodney Institute ("CRI") joined with the Public Advocate in seeking to close this docket.

16. **Staff's Response.** Like the Public Advocate, in its Response, Staff "supports expanded natural gas service, but opposes customers subsidizing the cost of such expansion." (§5.) Staff's Response is attached as Exhibit "2". Staff argues that it "cannot support rates that are not cost based or favor one class of customers over another." (§7.) However, Staff "does not object to having Chesapeake's entire customer base support such expansions of service." (§6.)

17. Staff also responded that, despite extensive negotiations and the resulting settlement agreement from Chesapeake's 2007 rate base case, "according to the Company, it has never used the Experimental Area Expansion Program,... and the six times revenue test for main extensions-the Company now believes to be "not sufficient going forward." (§6, quoting Tietbohl testimony, Applic., p.27.)

18. While noting that it is unlikely the parties will resolve "the fundamental issues underlying the filing," Staff Response's concluded that "it is up to the Company to decide which direction it wants to go - withdrawal of the Application or push forward with formal hearings." (Exhibit "2"; §8.)

19. **DNREC's Response.** DNREC strongly opposes closing this docket. In its Response attached as Exhibit "3," DNREC argued as follows:

DNREC's policy interest in this docket was summarized in the position paper filed November 30, 2012:

"Expanding access to natural gas infrastructure to underserved areas of the state in the most cost-effective manner has the potential to advance strategic environmental and economic priorities because of the fuel's greater efficiency, lower cost, and lower emission profile when compared to many other fuel alternatives."

This is a matter of administration policy, most recently articulated last week by Governor Jack Markell in his State of the State speech delivered January 17, 2013.

"Second, we need to expand natural gas infrastructure across our state. Too many in Delaware are paying too much for energy because they are too far from a pipeline to bring them affordable natural gas. The energy savings from fuel switching are substantial and can cover the costs of new infrastructure. To help businesses and residents save money, we are working with both Delmarva and Chesapeake to make it easier for businesses to switch to cheaper and cleaner energy."

(http://governor.delaware.gov/speeches/2013stateofthestate/2013_sots_address.shtml)

20. In addition to its public policy concerns, DNREC refuted the Public Advocate's three (3) reasons for closing this docket as follows: a) the Company's not attempting to implement the Experimental Area Expansion Program "is not sufficient reason for precluding full consideration of alternative rate structures;" b) "... the Commission is authorized to conduct limited single issue rate proceedings;" and c) customer subsidies is an issue which can be addressed in this docket,

and is not a sufficient reason to close the docket. (p.2.) DNREC concluded that "DNREC is willing to remain at the table as long as there is a meaningful opportunity to fully consider the economic and environmental benefits of promoting fuel switching from dirtier and more expensive fuels to cleaner and less expensive natural gas." (Id.)

21. **DAAEP's Response.** DAAEP responded that Chesapeake "could continue with the Application, amend it or withdraw it." (§9.) (Exhibit "4") DAAEP strongly argued that the Commission should require Chesapeake to implement the Experimental Area Expansion Program. (§4.) After noting that propane costs have substantially decreased since the filing of the Application, DAAEP stated that its main concerns in this docket remain:

"i) Chesapeake's standards for expanding natural gas service, and the potential for Chesapeake extensions based upon either overly optimistic or "reverse engineered" projections, and ii) current rate payers effectively subsidizing Chesapeake extensions."

"Importantly, it has become clear based upon the information that has come to light in the workshops regarding the application and the changed circumstances since its filing, that the originally-stated economic benefits for the Chesapeake Application were overstated." (§§6,7.)

Furthermore, as the workshops proceeded, it became clear that there is no "typical" or "average" resident of southeastern Sussex County in connection with energy use and no "average savings." Rather there are two "typical" or "average" users: full time residents and seasonal homeowners, who generally are not heating customers and whose consumption is well below 50 Mcf per year. Preliminary information in connection with the workshop suggests that perhaps between 60% and 70% of the residents in

southeastern Sussex County may be seasonal homeowners for whom savings from natural gas are likely to be minimal or even negative." (§8.)

22. **Delmarva Power's Response** In its January 23, 2013 filing, Intervener Delmarva Power "took no position on the Public Advocate's Motion to Close Docket...." Additionally, Delmarva Power's filing states that "Delmarva Power has never taken any position one way or the other concerning Chesapeake's application...." I will now discuss the Company's Response to the Public Advocate's Motion to Close Docket.

IV. COMPANY'S RESPONSE TO PUBLIC ADVOCATE'S MOTION TO CLOSE DOCKET

23. Chesapeake's Response to the Public Advocate's Motion to Close Docket is attached hereto as Exhibit "5". In its Response, in addition to the Commission allowing this Docket to proceed, Chesapeake seeks that the Commission approve the proposed Infrastructure Expansion Rate ("IES") on an interim basis. (§§14,15.). The Company seeks that the interim IES rate be allowed to remain in effect for "an appropriate time period for review of these rates that will facilitate the objective or goal of expansion of natural gas service in the defined expansion areas in Sussex County." (§15.) Before addressing the Company's interim IES rate request, however, I want to first discuss the Company's Response as to the three (3) reasons why the Public Advocate argues that this Docket should be closed.

24. As to the Experimental Area Expansion Program ("AEP"), Chesapeake argues that: a) the Company can demonstrate to the Commission that the AEP is not a solution for economically making natural gas available to eastern Sussex County residents and businesses; and b) Chesapeake allegedly demonstrated this to the

parties using an illustration of an existing subdivision and other data, which showed that the resulting AEP rate is "significantly higher" than the proposed IES rate. (§13 & fn.2.)

25. As to the Public Advocate's aversion to single-issue ratemaking, Chesapeake argues that "limited issue rate proceedings are specifically authorized by statute, 26 Del. C. §304(b). According to Chesapeake, "given the goal of Chesapeake's application, the numerous requests being received from consumers for natural gas service, and the parties' general support of that goal (making natural gas available to more residents of Sussex County), a limited issue rate proceeding is more preferable to a general rate case. The Commission's "recent" approved rate of returns has no bearing on the present application as the Company is not seeking a change in its authorized rate of return as part of its application." (§4, *emphasis in original.*)

26. As to the Public Advocate's argument that the Company's proposed subsidies require the Commission to close this docket, Chesapeake argues that:

"the majority of [the Company's] proposals are not based upon historical embedded cost of service because historical costs are not relevant when making investment decisions related to expanding its natural gas system. What is relevant is the marginal capital expenditure, the marginal operating expense and the marginal revenue generated by the expansion." (§3.) Under the Company's existing line extension policy, the Company cannot extend its lines unless the projected revenues from the new customers will be sufficient to recover the Company's projected expenses plus a return on its investment. The appropriate revenue and expense analysis differs from that of the traditional rate case analysis in that the focus is on the projected revenues

and expenses for an extension of service to new customers and developments. It is necessary therefore to evaluate the proposed IES rate based on projected expenses and revenues rather than on actual test period data, which is what is used to adjust base rates in an existing service territory in a base rate case. The dollar amount for the IES rate will determine how much farther (and quicker) the Company can extend its lines compared to what the Company otherwise could do under its existing base rates. As acknowledged by the Company, if, after an appropriate time period, the IES rate needs to be modified or adjusted based on the actual operating experience achieved, then the rates can be adjusted accordingly." (§7.)

27. Chesapeake also claims that it will use the same model for residential customers, allegedly permitted by tariff, which has allowed Chesapeake "to extend its mainline facilities to larger commercial and industrial customers in Sussex County in a manner that does not require any customer subsidies." (*Id.*) Chesapeake's commercial and industrial sales using and not using its model could have been disclosed to myself and the Commission on a redacted basis but were not.

28. In its Application, Chesapeake argues that, regardless of new rates be implemented, the Company is also requesting approval to provide two (2) new services: a Conversion Financing Service and a Conversion Management Service. The optional Conversion Finance Service will provide financing for new residential and commercial customers in any Delaware county seeking to convert existing equipment and fuel piping to natural gas. If approved, the maximum amount of financing for residential customers is \$1,500 and \$3,000 for commercial customers. (*Applic.*, §9.) Customers would have the option of "payback

periods of 3, 5 or 10 years, with a return component payable to the Company at a rate equal to the Company's authorized rate of return."

(Id.) The monthly charges would depend upon the conversion cost and selected payment option. (Id.) Moreover, Chesapeake has proposed an optional \$100 Conversion Management Service fee for the Company to assist outside contractors with coordinating the conversion work for new customers in any Delaware county. (Id. at ¶¶7-9; Applic., Tietbohl, p.14, LL 7-15.)

29. Chesapeake has also proposed a tariff amendment to change the economic test used by Chesapeake to evaluate the economics of extending service to existing developments by using the Internal Rate of Return based model presently used for new developments, rather than the six times net-revenue test. (Exhibit 4, ¶5.) Chesapeake has also proposed eliminating the current tariff provisions that prohibit charging for service installations within 75 feet of an existing distribution main, or for mainline extensions of less than 100 feet. (Id.)

30. Finally, Chesapeake seeks that the Commission approve the proposed Infrastructure Expansion Rate ("IES") on an interim basis. (¶¶14,15.). The Company seeks that the interim IES rate be allowed to remain in effect for "an appropriate time period for review of these rates that will facilitate the objective or goal of expansion of natural gas service in the defined expansion areas in Sussex County." (¶15.)

31. Chesapeake's Response to the Public Advocate's Motion to Close Docket concludes that "[t]he DPA, in its motion, provides no

basis for dismissing, without evidentiary hearings, Chesapeake's request to implement these new service offerings and tariff amendments. There is no reason to require the Company to file a rate case." Before discussing the merits of the parties' respective positions, however, I will briefly discuss the Commission's jurisdiction over this docket and give some background about Chesapeake's operation.

V. DISCUSSION OF JURISDICTION & COMPANY BACKGROUND

A. Jurisdiction

32. According to 21 Del. C. §201(a), since Chesapeake is a regulated public utility and the Company has proposed new rates and services, the Commission has jurisdiction over this docket. This statute provides, in pertinent part, that the "[t]he Commission shall have exclusive original supervision and regulation of all public utilities and also over their rates, property rights, equipment, facilities ... so far as may be necessary for the purpose of carrying out the provisions of this title. Such regulation shall include the regulation of rates"

33. Moreover, Section 201(d) provides that the Commission "may ... alter in whole or in part, its supervision and regulation over some or all of a utility's ... services ... to the extent necessary to promote and sustain adequate service at just and reasonable rates where the Commission determines that alternatives to supervision and regulation including the competitive provision of such products and services are in the public interest." 26 Del. C. §201(d)(1). "Alternatives include, but are not limited to, incentive regulation ... categorization of

services for the purpose of pricing ... ranges of authorized returns ... and different returns for different services."⁹

B. Company Background & 2007 Base Rate Commission Docket

34. By way of background, Chesapeake serves approximately 41,430 customers in all 3 Delaware counties, of which 91.6% are residential customers. (PSC Order No. 8168 (July 17, 2012, HE's Report, p.17, ¶42.) In this docket, Chesapeake's non-residential i.e. commercial, industrial, etc. have not been disclosed on a redacted basis to me or to the Commission.

35. Regarding Chesapeake's plans to expand into eastern Sussex County, in Gas Sales Service dockets in recent years, the Public Advocate's Consultant Andrea Crane has repeatedly questioned whether or not the Company's forecasts of residential and commercial customer growth for the eastern Sussex County area have been "overly optimistic." (E.g., *Id.* at ¶45.)

36. The Public Advocate's Motion to Close Docket argues that "Chesapeake has declining per customer usage." (Exhibit 1, ¶16.) Although the Company rapidly grew at the rate of 8.7% per year between 2002 and 2008, overall demand has since considerably slowed, primarily due to the recession.¹⁰ However, natural gas prices have recently

⁹ Chesapeake argues that 26 Del. C. §201(d)(1) "authorizes the Commission to alter traditional rate regulation when it serves the public interest." (Exhibit 5, pp. 6-7.) Although it is not necessary to determine the statute's effect now, I note that both the United States Supreme Court and Delaware courts have addressed this issue. E.g., FPC v. Hope Natural Gas Co., 320 U.S. 591 (1944); Chesapeake Utils. Corp. v. Delaware Pub. Serv. Comm'n, 705 A.2d 1059 (Del. Super. Ct. 1997) ("The primary purpose of ratemaking is to fix rates sufficient to give the utility a fair return upon the present value of the property dedicated to public use.")

¹⁰ During this time period, the national average for industry growth was only 2-3%. (PSC Order No. 8168 (July 17, 2012, HE's Report, p.17, ¶42, fn 14.)

remained relatively low, with production increasing a staggering 10% between 2008 and 2011. (U.S. Energy Administration Report, 2012.)

37. Chesapeake's efforts to expand natural gas service in Sussex County were most recently fully litigated in Docket No. 07-186, a base rate case. In PSC order No. 7434 (Sept. 2, 2008), the Commission approved a settlement agreement between the parties with a rate increase of \$325,000 awarded to the Company. In the settlement agreement in Docket No. 07-186, the parties agreed to a number of matters, including the following, which are some of the requirements Chesapeake now seeks to change in this docket without filing a base rate case: the Experimental Area Expansion Program, the (revised) Main Extension Policy, and the Area Extension Program.

VI. DISCUSSION OF WHETHER TO CLOSE DOCKET & COMPANY'S REQUEST FOR INTERIM "IES" RATE

A. Early Stage of this Docket requires Docket to Proceed

38. In its Response, Chesapeake maintains that "[t]he DPA, in its motion, provides no basis for dismissing, without evidentiary hearings, Chesapeake's request to implement these new service offerings and tariff amendments. There is no reason to require the Company to file a rate case." Although they are currently less than

Warmer weather may also be a cause of less demand. 2012 was the warmest year on record for Delaware, according to the National Climatic Data Center's December 2012 Report. (See www.ncdc.noaa.gov [National Temperature and Precipitation Analysis.]) Obviously, a warm year results in substantially less natural gas being used for winter heating purposes in a mid-Atlantic state like Delaware, particularly for full-time residents as opposed to seasonal residents. Finally, to save money, or to save energy, more customers may be using less natural gas.

enamored with Chesapeake's filing, Staff, DNREC, and DAAEP agree that the Company has the right to proceed with this docket.

39. This rate case has not been fully vetted yet. The parties agreed not to enter into a formal Procedural Schedule, which would have required an evidentiary hearing. Between themselves, the parties engaged in informal discovery (presumably unsworn), conducted workshops on October 15, 2012 and December 10, 2012, and exchanged confidential "position papers" detailing their respective positions.

40. Except for the pre-filed testimony of Chesapeake's Vice President Jeffery R. Tietbohl filed along with the Company's Application in June, 2012, no other pre-filed testimony was filed by any party. There is no evidentiary record yet.

41. Another reason the docket should remain open is that, regardless if the Commission approves new rates, Chesapeake clearly has the right to pursue approval of the two (2) new services it has proposed: the Conversion Financing Service and the Conversion Management Service. The optional Conversion Finance Service will provide financing for new residential and commercial customers in any Delaware county seeking to convert existing equipment and fuel piping to natural gas. If approved, the maximum amount of financing for residential customers is \$1,500 and \$3,000 for commercial customers. (Applic., ¶9.) Also, Chesapeake has proposed an optional \$100 Conversion Management Service fee for the Company to assist outside contractors with coordinating the conversion work for new customers in any Delaware county. (Id. at ¶¶7-9; Applic., Tietbohl, p.14, LL 7-15.)

B. Public Advocate's Three Reasons For Closing Docket Adequately Refuted By Most Parties

42. DNREC succinctly refuted the Public Advocate's three (3) reasons for closing this docket as follows: a) the Company's not attempting to implement the Experimental Area Expansion Program "is not sufficient reason for precluding full consideration of alternative rate structures;" b) "... the Commission is authorized to conduct limited single issue rate proceedings;" and c) customer subsidies is an issue which can be addressed in this docket, and is not a sufficient reason to close the docket. (p.2.)

C. Delaware Law And Public Policy Dictate that the Docket Not Be Closed

1. Delaware's Energy Efficiency Resource Standards Act of 2009

43. In addition to considering the reasons above for not closing this docket, the Commission must also consider Delaware's Energy Efficiency Resource Standards Act of 2009 detailed in the Company's Application. ("the Act") The Act creates a target of reducing natural gas consumption by 10% in the State through efficiency and conservation by 2015. (Applic., Attachment JRT-3, §2.3.) However, the Workgroup established to implement the Act also expressly supported expanding natural gas service to more homes and businesses in Delaware.

44. While the Act states that each regulated utility can determine how to meet the reduction targets, the Workgroup recommended policy changes including establishing alternative and/or higher levels

of funding to supplement existing programs and creating new stricter regulations and new pricing structures designed to incentivize energy efficiency. None of these recommended policy changes have occurred, leaving the Commission in a challenging position in regulating a natural gas company like Chesapeake regarding its future expansion plans.

45. The Act establishes energy efficiency as one of Delaware's primary energy resources. (See 26 Del. C. §1500.) The Act recognizes that energy efficiency is among the least expensive and environmentally sound ways to meet the State's growing energy demands. (*Id.*) The Act creates energy efficiency goals or "targets" to be achieved by 2015: a) reducing electric consumption by 15%; b) reducing peak electric demand by 15%; and c) reducing natural gas consumption by 10%.¹¹

46. **Composition of the Workgroup.** The Act required that a Workgroup of Delaware's energy specialists "be established to complete a study and provide recommendations during the planning and implementation of this [energy efficiency] policy." (*Id.* at §1502(c).) The Workgroup was comprised of eleven (11) members, chaired by the

¹¹ Title 26, Chapter 15, Sections §§ 1502(a)(1) and (2) of the Act defines its energy savings goal as follows:

"(a) It is the goal of this chapter that each affected energy provider shall achieve a minimum percentage of energy savings as follows:

(1) For each affected electric energy provider, energy savings that is equivalent to 2% of the provider's 2007 electricity consumption, and coincident peak demand reduction that is equivalent to 2% of the provider's 2007 peak demand by 2011, with both of the foregoing increasing from 2% to 15% by 2015;

(2) For each affected natural gas distribution company, energy savings that is equivalent to 1% of the company's 2007 natural gas consumption by 2011, increasing to 10% by 2015."

DNREC State Energy Coordinator, and included representatives from Delmarva Power and Light Company, the Delaware Electric Cooperative, Chesapeake Utilities Corporation, municipal electric utilities, the Public Service Commission, the Public Advocate, the Sustainable Energy Utility ("SEU"), Delaware's Weatherization Assistance Program, along with two (2) members of the public with experience representing, respectively, low/moderate income families and environmental issues. (Applic., Attachment JRT-3, §2.2.)

47. The Workgroup began its analysis in October, 2009 and completed its study in May, 2011. (*Id.* at §2.3.) On June 14, 2011, the "State of Delaware Energy Efficiency Resource Standards Workgroup Report" (the "Workgroup's Report") was submitted to DNREC's Secretary after a consensus vote of the participating Workgroup members. (Applic., Tietbohl, p.5 L 23 - p.6 LL 1-4.)

48. **Support for Expanded Natural Gas Service.** The Workgroup's Report expressly supports expanding natural gas service in Delaware. (Applic., Attachment JRT-1, §1.7.) As required by the Act, the Workgroup compared natural gas service to electric, fuel oil and propane service. (*Id.*) Performing a full-fuel-cycle measurement from the fuel source to the point-of-use i.e the home, as opposed to an on-site home test only, the Workgroup found that "[t]he full-fuel-cycle energy requirement for an average home using natural gas is approximately 27% less than for a similar home using electricity, 11% less than the similar fuel oil home, and 3% less than the similar propane home." (*Id.*) The Workgroup also held that "electricity is the most efficient

when only considering the energy requirements on site at the home."
(Id.)

49. **Need For Delaware Legislature To Clarify Who Will Enforce EERS Savings Targets.** The Workgroup requested that the legislature clarify "who would be accountable for EERS performance results and how the State could develop enforcement mechanisms." The Workgroup concluded that "[h]olding regulated energy providers responsible for outcomes without any ability to design and administer efficiency programs may create unintended issues." (Applic., Attachment JRT-1, §9.1.3.) While the Act states that each regulated utility can determine how to meet the Targets, Delaware law also requires the Sustainable Energy Utility ("SEU") with designing and implementing energy efficiency programs in Delaware.

50. **Needed Policy Changes.** The Workgroup specifically recommended the following policy changes:

- a) Establishing alternative and/or higher levels of funding to supplement existing programs;
 - b) Creating new stricter regulations and new pricing structures designed to incentivize energy efficiency;
 - c) Broadening program offerings and delivery mechanisms; and
 - d) Increasing the energy savings that could count toward energy efficiency.
- (Applic., Attachment JRT-1, §9.0.)

51. In conclusion, the effect of Delaware's Energy Efficiency Resource Standards Act of 2009 in this rate case is unclear. This is because a) the Act does not specify how utilities can comply with the target reductions; b) the Act does not specify which state agency will

enforce the target reductions; and c) none of the natural gas expansion policy changes recommended by the Workgroup have been established. Without clarifying these issues, the Delaware legislature has placed the Commission in a challenging position in regulating a natural gas company like Chesapeake regarding its future expansion plans.

2. Governor Jack Markell's State of the State Speech

52. Although the Delaware legislature has sent conflicting signals about how natural gas expansion should occur, Delaware's Governor Jack Markell clearly favors expanding natural gas service in Delaware. In his State of the State Speech delivered on January 17, 2013, Governor Markell stated as follows:

"For manufacturers and other businesses, we know the reliability and cost of energy is key. We need to expand our energy portfolio, reduce costs and improve air quality. Secretary O'Mara, working with the leadership of our major energy companies, has developed a three-part strategy to do just that.

...
Second, we need to expand natural gas infrastructure across our state. Too many in Delaware are paying too much for energy because they are too far from a pipeline to bring them affordable natural gas. The energy savings from fuel switching are substantial and can cover the costs of new infrastructure. To help businesses and residents save money, we are working with both Delmarva and Chesapeake to make it easier for businesses to switch to cheaper and cleaner energy. ..."

Thus, Governor Markell has clearly made natural gas expansion a priority in this state.

3. Pennsylvania

53. Finally, the Pennsylvania legislature will soon be addressing expanding natural gas service to un-served and under-served homeowners. This legislation can serve as a guide to this Commission. The Pennsylvania Natural Gas Expansion and Development Initiative states that it will:

Establish funding alternatives for gathering and distribution extensions to un-served and under-served areas; and

Require the Public Utility Commission to develop rules to produce an orderly system for reviewing current levels of natural gas service and to allow for the orderly expansion of natural gas service to areas not currently served;

On December 5, 2012, Pennsylvania State Senators Gene Law and Dominic Pileggi, who will soon propose the legislation, stated that its goals are:

"in the near future we plan to introduce legislation that will facilitate the expansion, distribution and use of low-cost, energy efficient, Pennsylvania-produced natural gas. Being able to fully utilize this commodity will reduce costs and be environmentally beneficial across the Commonwealth. This legislation is designed to assist state and local governments, similar institutions, and un-served and under-served businesses and homeowners across our state in making this conversion."

D. Company's Request for Interim Infrastructure Expansion Service ("IES") Rate Should Be Denied

54. Chesapeake now seeks that the Commission approve the proposed Infrastructure Expansion Rate ("IES") on an interim basis. (§§14,15.). The Company seeks that the interim IES rate be allowed to

remain in effect for "an appropriate time period for review of these rates that will facilitate the objective or goal of expansion of natural gas service in the defined expansion areas in Sussex County."

(¶15.)

55. Since its interim rate request was addressed by Chesapeake in its recent Response, no party has addressed this issue yet. First, the Commission should consider whether this docket is procedurally at the stage where the Commission should enact the potentially controversial IES rate for all current customers. No evidence is in the record, no Public Comment Session has occurred, and no evidentiary hearing has occurred. Although the Delaware legislature is currently in session, none of the natural gas expansion policy changes recommended by the Energy Efficiency Resource Standards Act of 2009 Workgroup have been established.

56. Even if this docket remains open, Chesapeake continues to have the Burden of Proof in this docket. The Public Advocate's credible arguments against the proposed IES rate may eventually prevail. The Company's current Return on Equity ("ROE") may be a factor in the final result.

57. If the Public Advocate's arguments eventually prevail in this docket, the Commission would have to refund the interim IES rate monies after refusing to enact the IES rate. This Commission has always performed even stricter scrutiny of an interim rate request for a proposed, new service rate, rather than a request to increase the amount of an established service rate.

58. Due to the early procedural stage of this docket, the Commission should consider encouraging the parties to agree at oral argument that the seven (7) month interim rate implementation period set forth in 26 Del. C. §306 shall begin as of the date of the Commission's Order on the Public Advocate's Motion to Close Docket.

59. As opposed to Chesapeake's proposed IES rate, another option available to the Commission is a one-time "system development charge" against new Chesapeake customers in existing developments. According to Chesapeake's Application, for a typical residential service (R-2) customer using 50 Mcf of natural gas annually who needs an approximately thirty (30) foot main extension, if Chesapeake's Application is approved, the up-front capital cost of \$627 per customer of providing service to a customer in an existing development would generally be eliminated. (Applic. ¶7; Tietbohl, pp.18-19.)

60. Chesapeake's Application seeks to avoid a system development charge for new customers in existing developments, but this Commission approved one in Regulation Docket 15 regarding water customers in new residential developments.¹² One-time system development charges against new customers and/or Developers is becoming increasingly popular, as opposed to increasing current user charges. (*Water and Wastewater Finance and Pricing*, George A. Raftelis, 3rd ed., p.80 (2005.))

¹² In Regulation Docket 15, to aid existing ratepayers, the Commission required at least \$1,500 per home to be collected by each regulated water utility from Developers to more accurately recover costs incurred in servicing a new residential development.

VII. RECOMMENDATIONS

61. In summary, and for the reasons discussed above, I propose and recommend to the Commission the following:

62. Based upon the Company's Application and its pre-filed testimony, I recommend that the Commission not close this docket. If the docket proceeds, Chesapeake continues to have the Burden of Proof pursuant to 26 Del. C. §307(a), which provides as follows:

In any proceeding upon the motion of the Commission, or upon complaint, or upon application of a public utility, involving any proposed or existing rate of any public utility, or any proposed change in rates, the burden of proof to show that the rate involved is just and reasonable is upon the public utility.

(emphasis supplied)

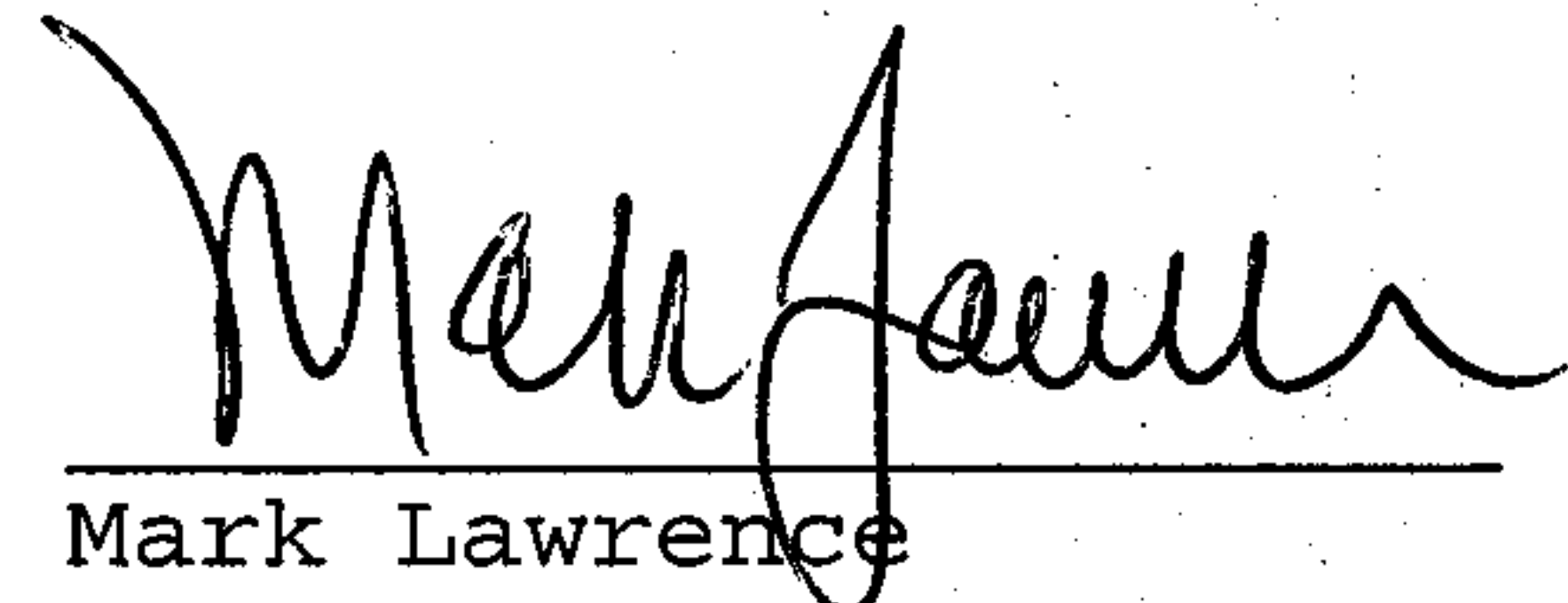
63. Chesapeake also seeks that the Commission approve the proposed Infrastructure Expansion Rate ("IES") on an interim basis. The Company seeks that the interim IES rate be allowed to remain in effect for "an appropriate time period for review of these rates that will facilitate the objective or goal of expansion of natural gas service in the defined expansion areas in Sussex County." (Exhibit 5, ¶15.)

64. I recommend that the Commission deny Chesapeake's request that the proposed Infrastructure Expansion Rate ("IES") be implemented on an interim basis. At oral argument, due to the early stage of this docket, the parties should agree that the seven (7) month rate implementation period contained in 26 Del. C. §306 will begin as of the date of this Order.

65. Finally, I recommend that the Commission order that the parties are required to: a) enter into a formal Procedural Schedule within seven (7) days of the date of this Order; and b) the parties must finalize this docket within seven (7) months of the date of this Order.

66. I also attached a proposed Order as Exhibit "6", which will implement the foregoing recommendations.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "Mark Lawrence", is written over a horizontal line.

Mark Lawrence
Hearing Examiner

Date: February 6, 2013

EXHIBIT "1"

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)	
CHESAPEAKE UTILITIES CORPORATION FOR)	
APPROVAL OF NATURAL GAS EXPANSION)	PSC DOCKET NO. 12-292
SERVICE OFFERINGS)	
(FILED JUNE 25, 2012))	

THE PUBLIC ADVOCATE'S MOTION TO CLOSE DOCKET

The Public Advocate, by and through his counsel, hereby moves the Delaware Public Service Commission (the "Commission") to close this docket, and in support of its motion avers as follows:

BACKGROUND

1. On June 25, 2012, Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed a Petition with the Delaware Public Service Commission (the "Commission") proposing new rates and offerings to facilitate the expansion of natural gas service, primarily in eastern Sussex County, Delaware. Chesapeake also sought changes to its existing natural gas tariff pages regarding new installations.

2. First, Chesapeake proposed an Infrastructure Expansion Service ("IES") rate to finance the extension of the natural gas distribution system into Sussex County. The IES rate would be a fixed charge of between \$8 and \$125 per month for customer classes in a specifically defined area of Sussex County. Residential customers would pay either \$8 per month or \$25 per month depending on whether they were heating customers. General Service customers would pay \$40 per month and medium volume customers would pay \$125. Chesapeake did not propose to charge the IES to Large Volume Service or High Load Factor Service customers.

3. Second, Chesapeake proposed a Distribution Expansion Service ("DES") rate of \$1.25 per month to be paid by all *existing* and future Chesapeake customers. According to

Chesapeake, the DES rate was intended "...to support the administration and implementation of the proposed service offerings along with the enhanced customer growth anticipated as a result of the proposed natural gas expansion service offerings." (Tietbohl Direct Testimony, page 16).

3. Third, Chesapeake proposed a Conversion Financing Service for customers interested in converting their existing equipment and internal fuel piping to natural gas. As proposed, the maximum level of assistance would be \$1,500 for residential customers and \$3,000 for commercial customers with 3, 5 or 10-year payback periods, with a return component equal to its authorized rate of return. (*Id.* at 24). Chesapeake also proposed an optional Conversion Management Service, whereby for a one-time \$100 fee, Chesapeake would assist the customer in managing the conversion process with outside contractors performing the work.

4. Next, Chesapeake proposed a tariff amendment to change the measure of service installations from the current method of six times net-revenue test to an Internal Rate of Return-based model. Chesapeake claimed that "the current parameters will not be sufficient going forward, especially considering the Company may be converting existing communities and developments with a significant number of customers." (*Id.* at 27-28).

5. Finally, Chesapeake proposed eliminating current tariff provisions that prohibit charging for service installations within 75 feet of an existing distribution main, or for extension charges of less than 100 feet.

6. The Commission opened this docket on July 3, 2012 (Order No. 8174) and suspended Chesapeake's application pending the completion of evidentiary hearings; appointed a Hearing Examiner to schedule and conduct a public comment session and evidentiary hearings and handle other procedural matters; and appointed rate counsel.

7. The Public Advocate, the Delaware Department of Natural Resources and Environmental Control, Delmarva Power & Light Company, the Caesar Rodney Institute and the Delaware Association of Alternative Energy Providers all intervened in the docket.

8. The Bay Breeze Homeowners Association and Nick Hammonds, Principal of Jack Lingo Asset Management, LLC, a Sussex County developer, submitted letters supporting Chesapeake's proposed expansion of natural gas service into eastern Sussex County.

9. After the close of the intervention period, Staff suggested that the parties participate in a workshop to discuss the issues and determine whether any resolution could be reached prior to conducting evidentiary hearings. The Hearing Examiner accepted Staff's proposal. Thereafter, the parties conducted discovery on Chesapeake, submitted confidential position papers and attended workshops on September 27 and December 10, 2012.

10. The last position papers were filed on January 4, 2013 in response to Chesapeake's proposed modifications to its original proposal. While the specifics of the position papers and the discussions at the workshop are confidential, it suffices for purposes of this Motion to say that although support for expansion of natural gas infrastructure into unserved and underserved portions of Delaware continues, none of the interveners supported Chesapeake's application or the proposed modifications. Therefore, to proceed further with this docket without the benefit of the expense and revenue data obtained through a normal rate case proceeding would be a waste of this Commission's time and resources, as well as those of the intervening parties.

ARGUMENT

A. The Commission Should Close This Docket.

10. The Public Advocate wants to make clear that he does not oppose the expansion of natural gas service into areas that do not currently have natural gas service. But the Public Advocate contends that the Company's application for expansion rates is deficient in three respects: (1) the Company has never attempted to implement *any* proposed expansion under its tariffed "Experimental Area Expansion Program;" (2) it constitutes single-issue ratemaking, to which the Public Advocate is adamantly opposed; and (3) under the proposed DES rate, current customers would subsidize the expansion of natural gas service to future customers. The Public Advocate continues his strong opposition to such subsidies. The Public Advocate respectfully submits that these deficiencies justify the Commission to order that this proposed expansion plan be considered in the context of a full rate case where all of the Company's revenues and costs can be examined to determine the most economic and efficient way to further the goal of extending natural gas service in Delaware.

1. The Company's Application Does Not Address Expansion Into Unserved Areas Using The Experimental Area Expansion Program Contained In Its Tariff.

11. The Company's tariff includes Section 6.4 titled "Experimental Area Extension Program" that is applicable to residential extensions of natural gas facilities. That section, which was approved in Order No. 7434 in Docket No. 07-186, provides:

For residential facilities that are to be extended to one discrete geographic area and require a CIAC, the Company may establish an Area Extension Program ("AEP") on an experimental basis to recover these costs plus interest at a rate equal to the Company's cost of capital. The AEP amount will be billed to customers served by the extension program providing that the CIAC can reasonably be expected to be collected over an amortization period not to exceed ten years.

The AEP, which shall be stated on a per Ccf basis, shall apply with respect to all natural gas sold or transported to Company customers located within the applicable discrete geographic area during the amortization period.

AEP rate will be calculated by dividing (1) the amount of additional revenue required in excess of the Company's applicable tariff rates, including any taxes calculated on gross revenue, by (2) the volume of gas reasonably forecast to be sold or transported to customers within the applicable discrete geographic area during the amortization period. The additional revenue required is the allowed cost of capital as determined in accordance with the Company's internal rate of return model on file with the Public Service Commission.

AEP amounts collected shall be used specifically to amortize the cost of the project facilities within the applicable discrete geographic area requiring a CIAC. If the AEP collected is sufficient before the expiration of the amortization period to fully amortize the excess costs, including the provision for the accumulated cost of capital, the AEP for said discrete geographic area shall terminate immediately, and the Company shall promptly credit the affected customers for amounts over collected, if any. The Company will absorb any under recovery in existence at the end of the amortization period.

The Company shall have the right to reassess the amount of revenue available to recover the unamortized excess cost of the facilities on an ongoing basis and recalculate the AEP rate as needed, provided, however, to the extent that any change in the AEP rate is required, the Company shall only have the right to change the rate once during the amortization period, subject to the maximum rate limitations set forth above.

The initial AEP rate computation and any further change to the established rate will be submitted to the Public Service Commission for review and approval prior to the effective date of the surcharge. The AEP rate will then appear on Rate Schedule "AEP" in the Company's tariff. The Experimental Area Extension Program will be evaluated by the Commission at the expiration of 18 months after the filing of the one trial AEP application.

12. Unlike the Company's current proposal, the AEP tariff provision has been vetted by many of the parties participating in this docket (including the Delaware Association of

Alternative Energy Providers), is cost-based, and does not create a subsidization issue. The Public Advocate is unaware of any attempt by the Company to expand into unserved areas using the AEP. There is nothing in the Company's application or supporting testimony that explains why it believes the experimental AEP created in Section 6.4 would not enable it to further the goal of expanding natural gas service to unserved areas. At the very least, the Company should request an amendment of its tariff to remove Section 6.4 if it believes such language prohibits expanding into unserved areas. But the Company's application and supporting testimony completely ignores Section 6.4; one would think it did not exist.

13. The AEP exists. The Public Advocate understands that it is designated as experimental, but the idea behind including it in the Company's tariff was to see how it would work in practice. Thus, if any expansion is to occur, the Company should implement the AEP contained in its tariff instead of pretending that it does not exist.

2. The Application Constitutes Single-Issue Ratemaking.

14. The Public Advocate acknowledges that the General Assembly has authorized the Commission to conduct limited issue rate proceedings. *See 26 Del. C. §304(b)*. However, the Commission is not *required* to conduct such proceedings, and it has generally avoided doing so.

15. The Public Advocate is adamantly opposed to single-issue ratemaking. As the Commission knows, the basic formula for determining rates is that a utility's total revenue requirement equals its operating expenses plus a reasonable return on its used and useful plant (rate of return times its total rate base). All of the utility's expenses are examined, and an appropriate rate of return on equity is approved. But that will not happen in this case if the Company's application goes to an evidentiary hearing because the only items that will be considered are the expansion rates that the Company has proposed. This Commission, and

Commissions in other jurisdictions, have recently approved returns on equity below 10%. The Commission approved a 10.25% return on equity for the Company in its last base rate case. (See Docket No. 07-186, Order No. 7434 dated Sept. 2, 2008). We also know that the cost of debt has decreased since September 2008. What other changes might there be in expenses and rate base that might justify different (lower) expansion rates? We will not know, because if the Company's application proceeds to an evidentiary hearing, the justness and reasonableness of its proposed rates will be determined without any information on the Company's current expenses or what an appropriate return on equity is now.

16. While the Company indicated that the purpose of the DES was "...to support the administration and implementation of the proposed service offerings along with the enhanced customer growth anticipated as a result of the proposed natural gas expansion service offerings" (Tietbohl Direct at 16), it appears that its real purpose is to compensate the Company for declining per customer usage. If declining consumption is causing the Company financial distress, then it should file a base rate case where all revenues and costs can be properly evaluated. Similarly, the Company's discovery responses showed that the IES was not cost-based and was developed without consideration of all of the appropriate ratemaking principles applicable in a base rate case. Moreover, under the Company's proposal, IES revenue would flow to its bottom line as increased earnings. If the IES is required in order to make capital expansion possible, then, at a minimum, these revenues should be used to offset the plant investment that is required to expand service. And if the Company believes that it is necessary to charge higher rates in a portion of its service territory to promote expansion, that issue should be examined in a base rate case, in which all appropriate costs can be reviewed and appropriate cost allocation methods can be developed. Of course, the Company could simply fund the expansion

itself, through short term debt, which is the normal procedure to fund construction. It has more than enough debt capacity to do so.

17. The Public Advocate respectfully submits that the Commission should not engage in single-issue ratemaking where, as here, it is apparent that there are other operating costs that should be taken into account in determining the appropriate rates.

3. The Company's Proposed DES Rate Will Result In Current Customers Subsidizing Potential Future Customers.

18. Last, this Commission is well aware of the Public Advocate's opposition to subsidies between and/or among a utility's customer classes where avoidable. If the purpose of the DES is to support expansion activities in Sussex County (see Tietbohl Direct at 16), then it should be rejected because it will result in an undue and unjust subsidy by existing customers to customers in the expansion area and should be company financed, not ratepayer funded. The Public Utilities Act forbids public utilities from assessing unjustly discriminatory or unduly preferential rates. 26 Del. C. §303(a). Insofar as the Company proposes to collect the DES rate from existing customers as well as potential future customers, it is unduly preferential to those potential future customers because the amount of the expansion costs for which they will be responsible is reduced by the amount collected from Chesapeake's existing customers, who will derive no benefit from Chesapeake's expansion activities. And whether a proposed rate is *small* or *large* is not the point: a subsidy is a subsidy regardless of the amount, and a subsidy sends irrational economic signals to capital markets.

CONCLUSION

WHEREFORE, the Public Advocate respectfully requests the Commission close the current docket. In the alternative, if the Company wishes to have the Commission consider any rate other than the existing tariffed AEP for expansion into unserved areas, the Commission

should order the Company to file a full base rate case.

Respectfully submitted,

/s/ Regina A. Iorii

Regina A. Iorii (#2600)
Deputy Attorney General
Delaware Department of Justice
820 N. French Street, 4th Floor
Wilmington, DE 19801
(302) 577-8159
regina.iorii@state.de.us

Dated: January 4, 2013

Counsel for the Public Advocate

EXHIBIT "2"

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION FOR)
APPROVAL OF NATURAL GAS EXPANSION) PSC DOCKET NO. 12-292
SERVICE OFFERINGS)
(FILED JUNE 25, 2012))

COMMENTS OF THE COMMISSION STAFF

BACKGROUND

1. On June 25, 2012, Chesapeake Utilities Corporation ("Chesapeake" or the "Company") filed an Application with the Delaware Public Service Commission (the "Commission") proposing new rates and offerings to facilitate the expansion of natural gas service, primarily in southeastern Sussex County, Delaware. In its Application, Chesapeake suggests that its existing tariff provisions hinder its ability to extend service to a large group of customers and should be modified. (See, Application, para. 6).

2. On July 3, 2012, the Commission issued Order No. 8174 that suspended the rates and revised tariff sheets filed by the Company, directed the Company to issue a public notice regarding the matter, assigned the matter to Hearing Examiner Mark Lawrence, and set a deadline for filing petitions to intervene by August 10, 2012. Intervention was granted to Division of Public Advocate ("DPA"), Department of Natural Resources and Environmental Control ("DNREC"), Delaware Association of Alternative Energy Providers, Inc. ("DAAEP"), Delmarva Power & Light Company ("Delmarva" or "DP&L"), Caesar Rodney Institute ("CRI").

3. With approval from Hearing Examiner Lawrence, the parties circulated informal discovery in July and September 2012 to the Company regarding the Application and the development of the rates. A Pre-Hearing Conference was scheduled for September 27, 2012; however the Company advised due to its limited available personnel it would be unable to completely respond to the informal discovery requests and requested additional time to respond. As a result, the parties met for a Pre-Hearing Conference on October 15, 2012 to discuss the Application and to seek clarification from the Company on responses to some of the informal discovery. It was agreed to by all of the parties that some additional discovery would be asked and that the parties would hold a conference call on November 19, 2012 to clarify and follow up on any additional discovery questions. The parties also agreed to issue position papers by November 30, 2012, and to hold a workshop on December 10, 2012 to discuss the various position papers.

4. On December 20, 2012, Chesapeake filed a Proposed Settlement Position ("PSP") to address positions taken by the various parties and to try and resolve all of the outstanding issues discussed as part of the workshop process. Follow-up comments were scheduled for January 4, 2013. In its follow-up comments, Staff indicated that it did not think additional workshops would be helpful given that the parties were still very far apart on some issues; the DPA moved to close the docket.

STAFF'S POSITION

5. Staff, like all the participants in this docket, supports the expansion of natural gas service into areas of Sussex County that currently do not have such service. However, Staff's support for the expansion of natural gas service in the State must be

tempered by the over arching regulatory principle that customers who want that service must pay for it at just and reasonable prices. Proposals that rest on the economics of other customers subsidizing the cost of such expansion are not ones that Staff can support.

6. The issues raised in this Application are not new, nor is Staff's objection to having Chesapeake's entire customer base support such expansions of service. As pointed out by DAAEP in its Petition to Intervene in this docket, the expansion of natural gas service in Sussex County has been before the Commission in one form or another since 1997. (*See*, Petition, para. 4). As a result of a settlement in PSC Docket No. 07-186 ("In the Matter of the Application of Chesapeake Utilities Corporation for an Increase in its Natural Gas Rates and Services, and for Approval of Certain Other Changes to its Natural Gas Tariff"), certain expansion-related tariff provisions that Chesapeake now seeks to revise were established. The 2008 Settlement was the product of extensive discussions between the parties held during the time scheduled for evidentiary hearings on Chesapeake's rate application. One provision developed from those extensive discussions was the Experimental Area Extension Program ("AEP"), which according to the Company, it has never used as a method to expand gas service in Sussex County. Other provisions worked out in the prior settlement -- such as the six times revenue test for main extensions -- the Company now believes to be "not sufficient going forward." (*See*, Tietbohl Testimony, Chesapeake Application, p.27).

7. Despite continuing objections from various parties that Chesapeake's proposed rates should cover costs and avoid inter-class subsidies, the Company comments that its proposed Infrastructure Expansion Service "IES" rate is intended to

recover "future" costs that will be incurred in extending lines to new customers, and that the rate making principles such as test year and cost of service "cannot be effectively applied to the proposed expansion area." (See, PSP, p.2). Staff cannot support rates that are not cost based or favor one class of customers over another. Accordingly, although Staff supports the expansion of gas service in Sussex County, it cannot agree to support the approach that the Company has articulated in its Application to achieve that goal.

8. This is the Company's application -- it chose to file it and the Company and parties agreed to review it informally prior to scheduling formal evidentiary hearings to determine whether there might be a consensus for a path forward. At the conclusion of the meetings, the parties have not come -- nor are likely to come -- to any resolution on some of the fundamental issues underlying the filing. In response to this imbroglio, the DPA has moved to close the docket. DPA's motion to close the docket is based on three premises. The DPA points out that the Company's application does not address the use of the Experimental Area Extension Program currently in the tariff; the application is effectively a single issue rate proceeding; and the filing requires customer subsidization. Staff believes that it is up to the Company to decide which direction it wants to go -- withdrawal of the Application or push forward with formal hearings. (See, Staff's Jan 4th Comments).

CONCLUSION

9. The Company proposed IES rate for customers in the new expansion areas has no cost of service study to determine if the amount is adequate or necessary; rather it relies on "future" forecasts. In addition to the IES rate, the proposed Distribution Expansion Service ("DES") rate would result in additional revenue being collected

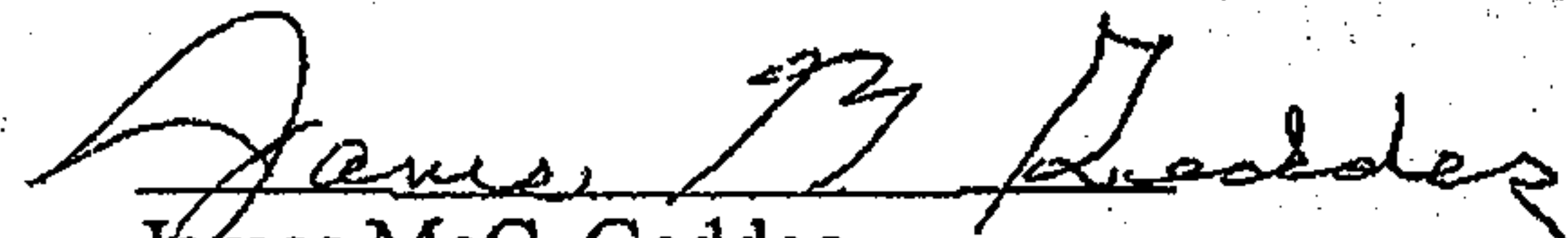
annually from all customers -- those who benefit from the expansion service and those who do not -- with no end date. The proposed modifications to the Main Extension tariff will reduce the obligations the Company currently has to install service lines. The proposed conversion finance service has the potential to increase bad debt expense, which if incurred would ultimately shift the costs associated with it to the Company's other ratepayers through higher rates. The risk for recovery of infrastructure associated with extensions would also be shifted to all ratepayers as part of a future base rate proceeding should build out and or payback not occur as estimated by the Company.

10. While Staff takes no formal position on the DPA's motion to close, Staff does suggest that the Company start its expansion effort on a smaller scale utilizing the Experimental Area Extension Program ("AEP") provisions outlined in the Company's existing tariff. The AEP provisions have not been utilized since becoming effective in 2008. If the proposed rate schedules were to be implemented, Staff would have concerns with ratepayer subsidization. Specifically, as this expansion effort appears to be partly funded using money collected from the entire customer base it indicates that expansion of natural gas service is not feasible without a contribution from the entire customer base.

11. With the uncertainty of how these rates were developed, no proposed time line of how long these proposed rates would remain in effect and no cost of service study completed to determine whether or not the amounts are adequate or necessary, Staff cannot support placing all the inherent risks associated with the Company's proposal on ratepayers. Staff feels that it would be more appropriate to include these proposed rates in the Company's next base rate filing as part of an overall cost of service study, which

can be reviewed in the context of the Company's overall rate of return and rate design,
and would allow for consideration of other funding sources such as long term debt.

Respectfully submitted,



James McC. Geddes
ASHBY & GEDDES
500 Delaware Avenue, 8th Floor
P. O. Box 1150
Wilmington, DE 19899
Phone: 302-654-1888

Rate Counsel

Dated: January 23, 2013

EXHIBIT "3"

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF
CHESAPEAKE UTILITIES CORPORATION FOR
APPROVAL OF NATURAL GAS EXPANSION
SERVICE OFFERINGS (FILED JUNE 25, 2012)

PSC DOCKET NO. 12-292

RESPONSE OF THE DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL TO THE PUBLIC ADVOCATE'S
MOTION TO CLOSE DOCKET

RECEIVED
2013 JAN 23 PM 3 44
DELAWARE P.S.C.

The Department of Natural Resources and Environmental Control ("DNREC") opposes the Public Advocate's motion to close Docket No. 12-292. DNREC respectfully urges that the docket remain open at this time to provide the opportunity to fully consider the economic and environmental benefits of promoting fuel switching from dirtier and more expensive fuels to cleaner and less expensive natural gas.

DNREC's policy interest in this docket was summarized in the position paper filed November 30, 2012:

Expanding access to natural gas infrastructure to underserved areas of the state in the most cost-effective manner has the potential to advance strategic environmental and economic priorities because of the fuel's greater efficiency, lower cost, and lower emission profile when compared to many other fuel alternatives.

This is a matter of administration policy, most recently articulated last week by Governor Jack Markell in his State of the State speech delivered January 17, 2013:

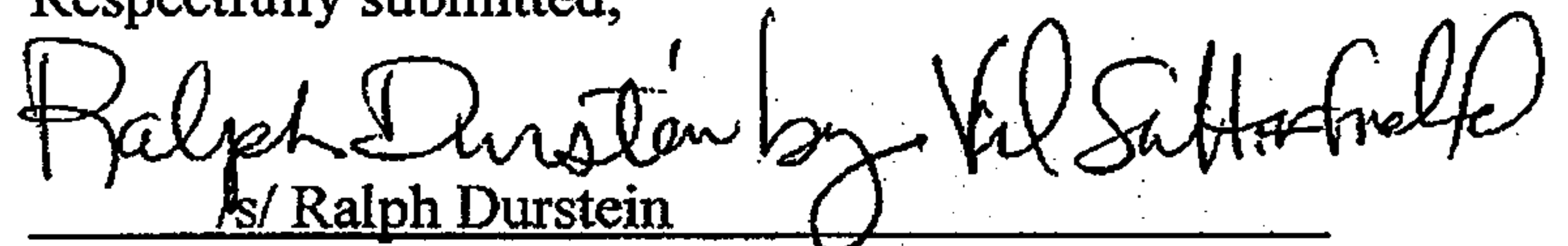
Second, we need to expand natural gas infrastructure across our state. Too many in Delaware are paying too much for energy because they are too far from a pipeline to bring them affordable natural gas. The energy savings from fuel switching are substantial and can cover the costs of new infrastructure. To help businesses and residents save money, we are working with both Delmarva and Chesapeake to make it easier for businesses to switch to cheaper and cleaner energy.

(http://governor.delaware.gov/speeches/2013stateofthestate/2013_sots_address.shtml)

In light of these overarching policy statements, DNREC does not believe that the Public Advocate ("DPA") has advanced compelling arguments for closing the docket. Citing Chesapeake's current authority under the Experimental Area Expansion Rate is not sufficient reason for precluding full consideration of alternative rate structures. While the DPA opposes single issue ratemaking, the motion "acknowledges that the General Assembly has authorized the Commission to conduct limited issue rate proceedings." The DPA's third objection regarding customer subsidies is a substantive question that can be fairly considered in an open docket. Even if one were to agree with the DPA's arguments, they do not provide a sufficient basis for requiring that the docket be closed.

In DNREC's view, the public interest would be served by keeping the docket open for more thorough consideration of the proposal, mindful of the environmental and economic benefits of expanding the distribution of natural gas in Delaware. DNREC is willing to remain at the table as long as there is a meaningful opportunity to fully consider the economic and environmental benefits of promoting fuel switching from dirtier and more expensive fuels to cleaner and less expensive natural gas. DNREC respectfully urges that the docket not be closed at this time, and remain open for the purpose of more complete consideration of the application.

Respectfully submitted,


s/ Ralph Durstein


Ralph Durstein, III,
Deputy Attorney General
Counsel to the Division of Energy & Climate
Delaware Department of Natural Resources and
Environmental Control

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)	
CHESAPEAKE UTILITIES CORPORATION FOR)	PSC DOCKET NO. 12-292
APPROVAL OF NATURAL GAS EXPANSION)	
SERVICE OFFERINGS (FILED JUNE 25, 2012))	

CERTIFICATE OF SERVICE

Valerie Satterfield, Deputy Attorney General, certifies she caused that true and correct copies of the Response of the Department of Natural Resources and Environmental Control to Public Advocate's Motion to Close Docket to be served by Electronic Mail this 23rd day of January, 2013, to the attached service list.



Valerie Satterfield
Deputy Attorney General

EXHIBIT "4"

IN THE MATTER OF THE APPLICATION)
OF CHESAPEAKE UTILITIES) PSC DOCKET NO. 12-292
CORPORATION FOR APPROVAL OF)
NATURAL GAS EXPANSION SERVICE)
OFFERINGS)
(Filed June 25, 2012)

RESPONSE OF
THE DELAWARE ASSOCIATION OF ALTERNATIVE ENERGY PROVIDERS, INC.
TO PUBLIC ADVOCATE'S MOTION TO CLOSE DOCKET

1. The application filed by Chesapeake Utilities Corporation on June 25, 2012 (the "Chesapeake Application") proposes to revise Chesapeake's tariff to enable "various natural gas expansion service offerings." According to Chesapeake, the tariff revisions proposed in the Chesapeake Application will enable it to extend its natural gas distribution facilities in southeastern Sussex County "more efficiently" than it would otherwise be able to do under its current tariff provisions.

2. The Delaware Association of Alternative Energy Providers, Inc. ("DAAEP") has consistently intervened in Chesapeake-related dockets, or otherwise participated in other Commission proceedings, when Chesapeake's expansion tariff or procedures are at issue. DAAEP's Petition to Intervene in this docket was granted by Commission Order No. 8210.

3. As set forth previously by DAAEP in this docket, the Chesapeake Application raised a number of issues with respect to Chesapeake's proposals, including the basis for the proposed offerings, whether such offerings are in the best interest of the public, and Chesapeake's potential cross-subsidization of its services.

4. The issues raised in Chesapeake's Application are not new to the Commission. Indeed, they first began in 1997. Most recently, after lengthy discussions and discovery, the issue of Chesapeake's natural gas extension policy was settled in 2008 ("2008 Settlement

Agreement") in PSC Docket No. 07-186 ("In the Matter of the Application of Chesapeake Utilities Corporation for an Increase in its Natural Gas Rates and Services, and for Approval of Certain Other Changes to its Natural Gas Tariff"). However, Chesapeake never implemented the Area Extension Program provided for in the 2008 Settlement Agreement, whereby a discrete geographic area would be billed an additional "AEP" amount on an experimental basis to recover CIAC costs plus interest at a rate equal to Chesapeake's cost of capital. The Chesapeake Application does not mention such implementation or its results, yet seeks to implement a larger expansion program across a portion of southeastern Sussex County. Chesapeake simply asserts, with no support, that the AEP does not work for them.

5. DAAEP participated in the informal workshops as agreed to by the parties to discuss and address the issues in this docket and to determine whether any resolution could be reached by agreement of the parties prior to conducting evidentiary hearings. Unfortunately, the parties have not been able to reach any resolution at this time based upon concerns with the Chesapeake Application.

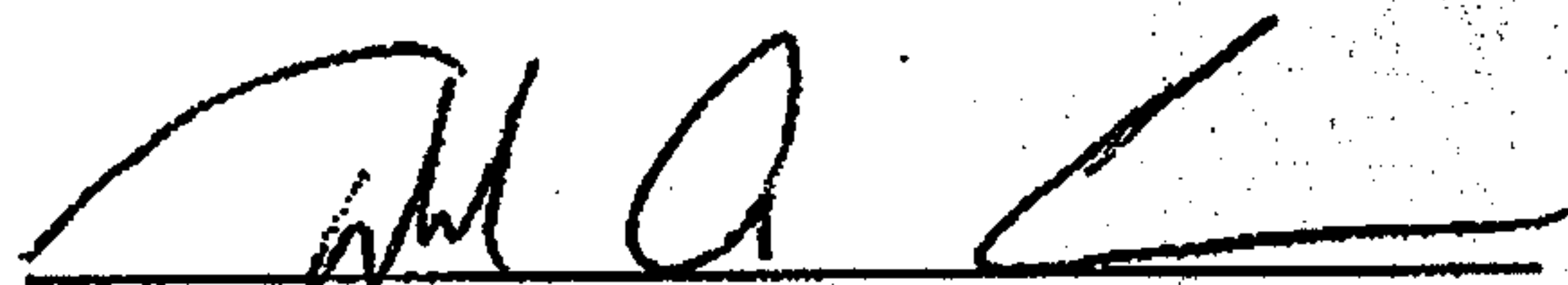
6. DAAEP's main concerns in this docket remain: i) Chesapeake's standards for expanding natural gas service, and the potential for Chesapeake extensions based upon either overly optimistic or "reverse engineered" projections, and ii) current rate payers effectively subsidizing Chesapeake extensions.

7. Importantly, it has become clear based upon the information that has come to light in the workshops regarding the application and the changed circumstances since its filing, that the originally-stated economic benefits for the Chesapeake Application were overstated. Significantly, events in the marketplace since the filing of the application in June, 2012 (a substantial drop in the price of propane) have shown that the fundamental rationale for the filing:

the need to bring lower-cost natural gas to the residents of southeastern Sussex County at significant savings (Application ¶ 5: "so the quicker that Chesapeake can begin providing service, the quicker that residents and businesses can begin saving money") has been, and may be, reduced, if not eliminated by such events. Furthermore, as the workshops proceeded, it became clear that there is no "typical" or "average" resident of southeastern Sussex County in connection with energy use and no "average savings." Rather there are two "typical" or "average" users: full time residents and seasonal homeowners, who generally are not heating customers and whose consumption is well below 50 Mcf per year. Preliminary information in connection with the workshop suggests that perhaps between 60% and 70% of the residents in southeastern Sussex County may be seasonal homeowners for whom savings from natural gas are likely to be minimal or even negative. For all of these reasons, the need for a fast-tracked, highly unusual, one-issue rate-making proceeding has been substantially reduced or even eliminated.

9. Nevertheless, it is difficult for DAAEP to take a formal position with respect to the motion of the Public Advocate without understanding how Chesapeake would like to proceed. As cited above, the Chesapeake Application is highly unusual; its rationale has been substantially diminished since its filing; and the application has numerous other issues. But the application is Chesapeake's, and there are various alternatives. It could decide it wishes to press the current application in spite of the concerns. It could amend the application. Or it could withdraw the application. Once Chesapeake has responded to the motion of the Public Advocate indicating how it wishes to proceed, DAAEP will be in a better position to respond, if necessary.

Andrew Lambert, President
Delaware Association of Alternative Energy
Providers, Inc.
1000 N. Broad St., P.O. Box 427
Middletown, Delaware 19709
E-mail: ALambertSr@SchagrinGas.com
Phone: 302-378-2000
Fax: 302-279-8993



Glenn C. Kenton
Todd A. Coomes
Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
E-mail: Kenton@RLF.com; Coomes@RLF.com
Phone: 302-651-7700
Fax: 302-651-7701
Attorneys for Intervenor Delaware Association of
Alternative Energy Providers, Inc.

Dated: January 23, 2013

CERTIFICATE OF SERVICE

It is hereby certified that the Response of the Delaware Association of Alternative Energy Providers, Inc. to the Public Advocate's Motion to Close Docket has been served this 23rd day of January, 2013 as indicated below:

VIA E-Mail

Michael Sheehy
Public Advocate
Division of the Public Advocate
Carvel State Office Building
820 French Street, 4th Floor
Wilmington, Delaware 19801
Tel: 302-577-5078
Fax: 302-577-3279
E-mail: michael.sheehy@state.de.us

James McC. Geddes
Ashby & Geddes
500 Delaware Avenue, Suite 800
P.O. Box 1150
Wilmington, Delaware 19899
Tel: 302-654-1888
Fax: 302-654-2067
E-mail: jgeddes@ashby-geddes.com;
jamesgeddes@mac.com

Susan Neidig
Regulatory Policy Administrator
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7540
Fax: 302-739-4849
Email: Susan.neidig@state.de.us

Jason Smith
Regulatory Analyst
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7540

William A. Denman
Parkowski, Guerke & Swayze P.A.
116 West Water Street
P.O. Box 598
Dover, Delaware 19903
Tel: 302-678-3262
E-mail: wdenman@pgslegal.com

Mark Lawrence
Hearing Examiner
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, Delaware 19904
Tel: 302-736-7540
Fax: 302-739-4849
E-mail: mark.lawrence@state.de.us

Regina Iorii, Esq.
Deputy Attorney General
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-5078
Fax: 302-577-3294
Email: regina.iorii@state.de.us

Andrea Maucher, Public Utilities Analyst
Division of the Public Advocate
John G. Townsend Building
401 Federal Street, Suite 3
Dover, DE 19901
Tel: 302-857-4620

Fax: 302-739-4849
Email: Jason.r.smith@state.de.us

Julie "Jo" Donoghue, Esq.
Deputy Attorney General
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7540
Fax: 302-739-4849
Email: julie.donoghue@state.de.us

Andrea C. Crane
Mailing Address:
The Columbia Group, Inc.
P.O. Box 810
Georgetown, CT 06829

Overnight Mailings:
The Columbia Group, Inc.
199 Ethan Allen Highway, 2nd Floor
Ridgefield, CT 06877
Tel: 203-438-2999
Fax: 203-894-3274
Email: CTColumbia@aol.com
Ruth Ann Price
Deputy Public Advocate
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-5014
Fax: 302-577-3297
Email: ruth.price@state.de.us

Pamela J. Scott, Esq.
Associate General Counsel
Pepco Holdings, Inc. Legal Services
500 North Wakefield Drive
Mail Stop 92 DC 42
Newark, DE 19702
Tel: 302-429-3143
Fax: 302-429-3801
Email: pjscott@pepcoholdings.com

Robert Collacchi

Fax: 302-739-3811
Email: andrea.maucher@state.de.us

Sarah Hardy
Regulatory Analyst II
Chesapeake Utilities Corporation
350 South Queen Street
P.O. Box 1769
Dover, DE 19903
Tel: 302-734-6797 ext. 6201
Fax: 302-734-6011
E-mail: shardy@chpk.com

Jeffrey R. Tietbohl
Vice President
Chesapeake Utilities Corporation
350 South Queen Street
P.O. Box 1769
Dover, DE 19903
Tel: 302-734-6742
Fax: 302-735-3061
E-mail: jtietbohl@chpk.com

Ralph Durstein, III, Esquire
Deputy Attorney General
820 North French Street
Wilmington, DE 19801
Tel: 302-577-8400
Fax: 302-577-5866
E-mail: ralph.durstein@state.de.us

Thomas G. Noyes
Division of Energy & Climate
Delaware Department of Natural Resources
and Environmental Control
1203 College Park Drive, Suite 101
Dover, DE, 19904
Tel: 302-735-3356
Fax: 302-739-1840
Email: thomas.noyes@state.de.us

David T. Stevenson

Director, Gas Operations & Engineering
Delmarva Power & Light Company
630 Martin Luther King Jr. Blvd
Wilmington, DE 19801
Tel: 302-429-3049
Fax: 302-429-3207
E-mail: bob.collacchi@pepcoholdings.com

Director, Center for Energy Competitiveness
Caesar Rodney Institute
P.O. Box 795
Dover, DE 19903
Tel: (302) 236-2050
Fax: (302) 645-9017
E-mail: davidstevenson@caesarrodney.org

/s/ Todd A. Coomes

Todd A. Coomes (#4694)

EXHIBIT "5"

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION)
FOR APPROVAL OF NATURAL GAS)
EXPANSION SERVICE OFFERINGS)
(FILED JUNE 25, 2012))

P.S.C. DOCKET NO. 12-292

CHESAPEAKE UTILITIES CORPORATION'S RESPONSE TO
THE MOTION TO CLOSE DOCKET FILED BY THE DELAWARE
PUBLIC ADVOCATE

PARKOWSKI, GUERKE & SWAYZE, P.A.
WILLIAM A. DENMAN, ESQUIRE (#364)
116 W. Water Street
PO Box 598
Dover, DE 19903
302-678-3262
wdenman@pgslegal.com

DATED: January 23, 2013

Chesapeake Utilities Corporation ("Chesapeake"), by and through its counsel, responds to the Delaware Public Advocate's ("DPA") Motion to Close Docket, and in support of said opposition avers as follows:

1. As noted by the DPA, the Delaware Public Service Commission ("Commission") opened this docket on July 3, 2012 and "suspended Chesapeake's application *pending the completion of evidentiary hearings*" (DPA Motion, paragraph 6, emphasis added). There have been no evidentiary hearings and no parties, other than Chesapeake, have filed direct testimony in this docket to date. At the request of the Commission Staff and the agreement of the parties two specific informal workshops were held on September 27 and December 10, 2012 to discuss the Company's proposal and related issues to determine if there was any common ground that could be reached in order to arrive at a settlement prior to engaging in the traditional regulatory evidentiary hearing process. (DPA Motion, paragraph 9).

2. While the DPA has noted its support for expansion of natural gas infrastructure into un-served and under-served portions of Delaware (DPA Motion, paragraph 10) the DPA argues that because none of the interveners supported Chesapeake's application, to proceed further without the benefit of the expense and revenue data that would be "obtained through a normal rate case proceeding would be a waste of this Commission's time and resources, as well as those of the intervening parties". (DPA Motion, paragraph 10). First, Chesapeake does not agree or support the DPA's contention or characterization that "none of the interveners supported Chesapeake's application or the proposed modifications." Based on the informal nature of these proceedings to date and the exchange of information and positions deemed to be settlement related, Chesapeake does not believe it is appropriate to discuss the various parties' positions, but also does not believe that DPA's contention is accurate. In addition, Chesapeake believes that it

was inappropriate for the DPA to file a motion and base the motion in part upon DPA's view as to where the parties stand on all of the issues based on these settlement related positions and the exchange of information during these informal working sessions. Moreover, in the context of these workshops, Chesapeake has responded to over 100 informal data requests submitted by the parties, with several relating to expense and revenue data.

3. Chesapeake's proposals were made in order to respond to Delaware homeowners and small businesses in an effort to expand the availability of an alternative energy that provides them with savings, improves energy efficiency and reduces the environmental impacts of their energy consumption. In addition, Chesapeake's proposals were based upon its successful experience with using the negotiated contract provisions, as approved by the PSC in Order No. 5932, dated April 16, 2002, and contained in Company's tariff for commercial and industrial customers. Using its Commission approved negotiated tariff provisions, Chesapeake has been able to extend its mainline facilities to larger commercial and industrial customers in Sussex County in a manner that does not require any customer subsidies. Chesapeake's proposal is largely, and simply, a proposal to apply the model used to make the above mentioned extensions to smaller energy consumers in response to their requests for service. In fact, DPA in its motion acknowledged that the Bay Breeze Homeowners Association and Nick Hammonds, Principal of Jack Lingo Asset Management, LLC, a Sussex County developer, submitted letters supporting Chesapeake's proposed expansion plans. (DPA Motion, paragraph 8). These two parties also expressed their support of the filed rates in the Company's application. Chesapeake submits that the majority of its proposals are not based upon historical embedded cost of service because historical costs are not relevant when making investment decisions related to expanding its

natural gas system. What is relevant is the marginal capital expenditure, the marginal operating expense and the marginal revenue generated by the expansion.

4. The DPA argues that this docket must be closed because "it constitutes single-issue ratemaking". (DPA Motion, Para. 10). As noted by the DPA, limited issue rate proceedings are specifically authorized by statute. 26 Del. C. Section 304(b). The DPA's dislike of limited issue rate proceedings is no basis for closing this docket. Indeed, given the goal of Chesapeake's application, the numerous requests being received from consumers for natural gas service, and the parties' general support of that goal (making natural gas available to more residents of Sussex County), a limited issue rate proceeding is more preferable to a general rate case. The Commission's "recent" approved rate of returns has no bearing on the present application as the Company is not seeking a change in its authorized rate of return as part of its application.

5. As noted by the DPA, Chesapeake is requesting several tariff amendments. Chesapeake is requesting approval to provide two new services: a Conversion Financing Service and a Conversion Management Service. (DPA Motion, Paragraph 3). As noted by the DPA, Chesapeake has proposed a tariff amendment to change the economic test used by Chesapeake to evaluate the economics of extending service to existing developments by using the Internal Rate of Return based model presently used for *new* developments, rather than the six times net-revenue test. (DPA Motion, Paragraph 4). As noted by the DPA, Chesapeake also has proposed eliminating the current tariff provisions that prohibit charging for service installations within 75 feet of an existing distribution main, or for mainline extensions of less than 100 feet. The DPA, in its motion, provides no basis for dismissing, without evidentiary hearings, Chesapeake's request to implement these new service offerings and tariff amendments. There is no reason to require the Company to file a rate case.

6. Regarding Chesapeake's proposal to implement the Infrastructure Expansion Service ("IES") rate in the defined expansion area in Sussex County (DPA Motion, Paragraph 2), the basis for this request is that the rates will allow the Company to extend its natural gas distribution infrastructure (*i.e.*, distribution mains, services, meters) to meet the overwhelming requests of communities, residents, and small businesses in eastern Sussex County while providing these new customers with significant energy savings as compared to the current cost of alternative fuels. While the amount of the savings will vary depending upon the IES rate and the cost of alternative fuels, Chesapeake believes that the potential savings for a new residential customer, after taking into consideration the proposed IES rate, are significant. The defined IES rates for the expansion area enable the Company to reach potential customers in existing subdivisions and communities by providing an approach that does not result in a significant level of up-front costs to be incurred by these potential customers as required under the current regulatory framework. The potential natural gas consumers in Sussex County would be directly responsible for paying for the increased cost of the gas distribution infrastructure, thereby protecting existing customers from paying the direct cost of infrastructure expansion into these new areas.

7. Under the Company's existing line extension policy, the Company cannot extend its lines unless the *projected* revenues from the new customers will be sufficient to recover the Company's *projected* expenses plus a return on its investment. The appropriate revenue and expense analysis differs from that of the traditional rate case analysis in that the focus is on the *projected* revenues and expenses for an extension of service to new customers and developments. It is necessary therefore to evaluate the proposed IES rate based on projected expenses and revenues rather than on actual test period data, which is what is used to adjust base rates in an

existing service territory in a base rate case. The dollar amount for the IES rate will determine how much farther (and quicker) the Company can extend its lines compared to what the Company otherwise could do under its existing base rates. As acknowledged by the Company, if, after an appropriate time period, the IES rate needs to be modified or adjusted based on the actual operating experience achieved, then the rates can be adjusted accordingly.

8. Moreover, Section 201(d) provides the Commission with broad authority to alter in whole or in part its supervision and regulation over some or all of a utility's services, "to the extent necessary to promote and sustain adequate service at just and reasonable rates where the Commission determines that alternatives to supervision and regulation including the competitive provision of such products and services are in the public interest." 26 Del. C. Section 201(d)(1). The proposed IES rates are not "unjustly discriminatory" and are designed to enhance service and recover the actual cost of extending the infrastructure to areas where natural gas would otherwise not be available. To require that this issue be addressed in the Company's next base rate case (whenever that would be) will require the parties to focus on a multitude of unrelated issues rather than focusing on the issue at hand: promoting the availability of natural gas service in eastern Sussex County.

9. The DPA also argues that "the IES was not cost-based and was developed without consideration of all of the appropriate ratemaking principles applicable in a base rate case." (DPA Motion, paragraph 16). As explained above, the proposed IES is "cost-based" to the extent the Company will only invest or spend the amount of capital that is supported by the level of revenue to be received as part of any project. Importantly, however, neither the statute nor Commission precedent requires that rates be tied entirely or solely to costs. As noted above, the statute authorizes the Commission to alter traditional rate regulation when it serves the public

interest. 26 Del. C. Section 201(d)(1). For example, in a 1984 Chesapeake case, this Commission approved flexible, value-of-service based rates for Chesapeake's larger interruptible customers in order to "allow the Company to make additional sales that the Company would not otherwise be able to make" because these customers could use alternative fuels.¹ Similarly, the proposed IES rate is designed to allow the Company to reach additional customers, in existing subdivisions, who can use alternative fuels.

10. The DPA's suggestion in paragraph 16 of its Motion that the proposed changes are not necessary because the "Company could simply fund the expansion itself, through short term debt..." is wrong. The Company is not authorized to extend service unless the projected revenue will satisfy the economic tests set forth in the Company's tariff. For extensions that do pass the economic test, the Company will "fund the expansion itself" as a capital expense, with an approved rate of return based on an approved capital structure made up of debt and equity. The benefit of the IES proposal is that the cost of the capital (and depreciation expense) for the extension will be covered by the IES rate, paid by the expansion area customers and not by current ratepayers.

11. The DPA argues that the Company's proposed DES rate would result in current customers subsidizing future customers. Initially, the Company would note that the proposed DES rate is one of several tariff changes that the Company is requesting the Commission to approve. In any event, the DES rate would help support the costs that the Company is incurring from responding to the conversion requests it receives from residents in its current service territory in addition to the costs being incurred to respond to the numerous request for service in southeastern Sussex County.

¹In the Matter of the Application of Chesapeake Utilities Corporation for the Approval of the Implementation of a New Flexible Rate for Certain Large Volume Customers (Filed February 2, 1984), PSC Docket No. 84-5, PSC Order No. 2565, at pages 2, 3.

12. Moreover, even if the DES included some costs from the expansion area, not all subsidies are illegal. Only subsidies that are “unjust” are prohibited. The Company should be allowed to demonstrate at evidentiary hearings that existing customers have and will benefit from the addition of new customers in the expansion area, just as the Company’s use of its economic analyses for extensions has benefited all customers in the past. Chesapeake has been able to avoid major base rate applications and increases over the past twelve (12) years due in large part to its economic customer growth and distribution expansions evaluated under the context of its currently approved internal rate of return models and framework. In the Delaware Division’s most recent base rate proceedings, PSC Docket No. 07-186 (2007) and PSC Docket No. 01-307 (2001), the Company received modest rate increases of \$325,000 and \$380,000 respectively (in both cases these increases were each less than one percent (1%) of total revenues).

13. Finally, DPA argues that because the Company’s existing tariff has a provision that gives the Company the right to implement on an experimental basis an Area Expansion Program (“AEP”), the Commission must close this docket. (DPA Motion, paragraphs 11 – 13.) The Company believes and can demonstrate that the current AEP does not provide a practical solution or method for making natural gas available to the residents and businesses in eastern Sussex County.² To close this docket without having the benefit of an evidentiary hearing, and the recommendations of the Hearing Examiner appointed by the Commission to conduct such hearings, is premature.


²In fact, using an existing subdivision that is located directly off of the Company’s existing main, Chesapeake was able to develop for the parties an illustration of the impact of using an AEP versus the Company’s proposal. The resulting AEP rate is significantly higher than the proposed IES rate. In view of this analysis, and other data provided to the parties relating to the AEP, it is difficult to understand how the DPA can accuse the Company of “pretending that [the AEP] does not exist.” DPA Motion, paragraph 13.

Conclusion

14. The DPA, in its Motion to close this Docket, has requested the Commission to order the Company to file a "full base rate case". Rather than focus on the limited issues presented by the Company in its application, the DPA wants to open the door for the multitude of issues that are normally addressed in a traditional rate case. Chesapeake believes that if the Commission wants to enhance the availability of natural gas to residents and businesses of eastern Sussex County so that these citizens (and our environment) can realize the benefits now, rather than several years from now, the Commission should allow this docket to proceed. In addition, if the Staff and the Interveners are going to hold firm on their positions from previous cases, including rate cases, that the Company's rates must be essentially uniform in all counties, a rate case will do nothing to enhance the availability of natural gas in eastern Sussex County. The Company believes that it is premature and to the detriment of the potential customers in Sussex County to close this docket at this time.

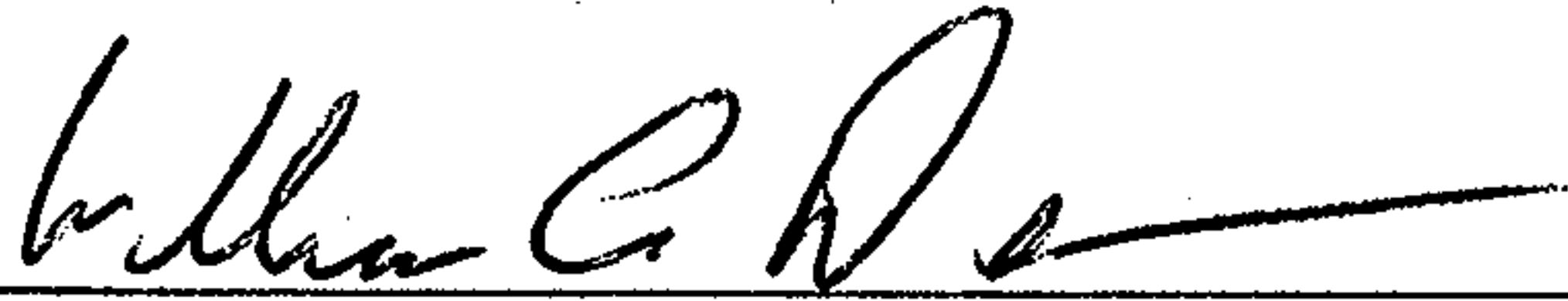
15. The Company respectfully requests the Commission to deny the DPA's overall motion and to approve the Company's "IES" rate framework in the interim to facilitate the expansion of natural gas infrastructure to the residents and businesses of eastern Sussex County and require the parties to determine reasonable "IES" rates along with an appropriate time period for review of these rates that will facilitate the objective or goal of expansion of natural gas service in the defined expansion areas in Sussex County.

PARKOWSKI, GUERKE & SWAYZE, P.A.

By: 
WILLIAM A. DENMAN, ESQUIRE (#364)
116 W. Water Street, P.O. Box 598
Dover, DE 19903
(302) 678-3262
wdenman@pgslegal.com

CERTIFICATE OF SERVICE

It is hereby certified that Chesapeake Utilities Corporation's Response to The Public Advocate's Motion to Close Docket has been served by electronic delivery and by regular mail, postage prepaid, to the persons identified on the attached Service List on January 23, 1013.

A handwritten signature in black ink, appearing to read 'William A. Denman', written over a horizontal line.

William A. Denman, Esquire (#364)

SERVICE LIST
(Chesapeake)
PSC DOCKET No. 12-292
As of 11/19/12

Mark Lawrence
Hearing Examiner
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7540
Fax: 302-739-4849
E-mail: mark.lawrence@state.de.us

Susan Neidig
Regulatory Policy Administrator
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7537
Fax: 302-739-4849
E-mail: susan.neidig@state.de.us

Jason Smith
Regulatory Analyst
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7549
Fax: 302-739-4849
E-mail: jason.r.smith@state.de.us

Julie "Jo" Donoghue, Esq.
Deputy Attorney General
Delaware Public Service Commission
861 Silver Lake Blvd, Suite 100
Dover, DE 19904
Tel: 302-736-7558 (Dover)
Tel: 302-577-8348 (Wilmington)
Fax: 302-739-4849 (Dover)
Email: julie.donoghue@state.de.us

James McC. Geddes, Esquire
Ashby & Geddes
500 Delaware Avenue, Suite 800
P.O. Box 1150
Wilmington, DE 19899
Tel: 302-654-1888
Fax: 302-654-2067
E-mail: jgeddes@ashby-geddes.com
jamesgeddes@mac.com

William A. Denman, Esq.
Chesapeake Counsel
Parkowski, Guerke & Swayze, P.A.
116 West Water Street
P.O. Box 598
Dover, DE 19903
Tel: 302-678-3262
Fax: 302-678-9415
E-mail: wdenman@pgslegal.com

Jeffrey R. Tietbohl
Vice President
Chesapeake Utilities Corporation
350 South Queen Street
P.O. Box 1769
Dover, DE 19903
Tel: 302-734-6742
Fax: 302-735-3061
E-mail: jtietbohl@chpk.com

Sarah Hardy
Regulatory Analyst II
Chesapeake Utilities Corporation
350 South Queen Street
P.O. Box 1769
Dover, DE 19903
Tel: 302-734-6797 ext. 6201
Fax: 302-734-6011
E-mail: shardy@chpk.com

Michael Sheehy
Public Advocate
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-5078
Fax: 302-577-3297
E-mail: michael.sheehy@state.de.us

Regina Iorrii, Esq.
Deputy Attorney General
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-8159
Fax: 302-577-3297
E-mail: regina.iorrii@state.de.us

Ruth Ann Price
Deputy Public Advocate
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-5014
Fax: 302-577-3297
Email: ruth.price@state.de.us

Andrea Maucher, Public Utilities Analyst
Division of the Public Advocate
John G. Townsend Building
401 Federal Street, Suite 3
Dover, Delaware 19901
Tel: 302-857-4620
Fax: 302-739-3811
Email: andrea.maucher@state.de.us

Andrea C. Crane
The Columbia Group, Inc.

Mailing Address:
The Columbia Group, Inc.
P.O. Box 810
Georgetown, CT 06829

Overnight Mailings:
The Columbia Group, Inc.
199 Ethan Allen Highway, 2nd Floor
Ridgefield, CT 06877
Tel: 203-438-2999
Fax: 203-894-3274
E-mail: CTColumbia@aol.com

Delaware Association of Alternative Energy
Providers, Inc.
Andrew Lambert, President
1000 N. Broad Street, P.O. Box 427
Middletown, DE 19709
Tel: 302-378-2000
Fax: 302-279-8993
E-mail: ALambertSr@SchagrinGas.com

Glen C. Kenton, Esq.
Richards, Layton and Finger
One Rodney Square
920 North King Street
Wilmington, DE 19801
Tel: 302-651-7700
Fax: 302-651-7701
E-mail: Kenton@RLF.com

Todd A. Coomes, Esq.
Richards, Layton and Finger
One Rodney Square
920 North King Street
Wilmington, DE 19801
Tel: 302-651-7700
Fax: 302-651-7701
E-mail: Coomes@RLF.com

Ralph Durstein, III, Esquire
Deputy Attorney General
820 North French Street
Wilmington, DE 19801
Tel: 302-577-8400
Fax: 302-577-5866
E-mail: ralph.durstein@state.de.us

Thomas G. Noyes
Division of Energy & Climate
Delaware Department of Natural Resources and
Environmental Control
1203 College Park Drive, Suite 101
Dover, DE, 19904
Tel: 302-735-3356
Fax: 302-739-1840
Email: thomas.noyes@state.de.us

Pamela J. Scott, Esq.
Associate General Counsel
Pepco Holdings, Inc. Legal Services
500 North Wakefield Drive
Mail Stop 92 DC 42
Newark, DE 19702
Tel: 302-429-3143
Fax: 302-429-3801
Email: pjscott@pepcoholdings.com

Robert Collacchi
Director, Gas Operations & Engineering
Delmarva Power & Light Company
630 Martin Luther King Jr. Blvd
Wilmington, DE 19801
Tel: 302-429-3049
Fax: 302-429-3207
E-mail: bob.collacchi@pepcoholdings.com

David T. Stevenson
Director, Center for Energy Competitiveness
Caesar Rodney Institute
P.O. Box 795
Dover, DE 19903
Tel: (302) 236-2050
Fax: (302) 645-9017
E-mail: davidstevenson@caesarrodney.org

EXHIBIT "6"

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION FOR)
APPROVAL OF NATURAL GAS EXPANSION) PSC DOCKET NO. 12-292
SERVICE OFFERINGS)
(FILED JUNE 25, 2012))

ORDER NO. ____

AND NOW, this ____ day of ____, 2013

WHEREAS, the Commission has received and considered the Report and Recommendations of the Hearing Examiner issued in the above-captioned docket, the original of which is attached hereto as Attachment "A";

AND WHEREAS, the Hearing Examiner recommends that the Commission not close this docket filed by Chesapeake Utilities Corporation ("Chesapeake");

AND WHEREAS, the Hearing Examiner also recommends that the Commission deny Chesapeake's request that the proposed Infrastructure Expansion Rate ("IES") be implemented on an interim basis.

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF

NO FEWER THAN THREE COMMISSIONERS:

a. That, by and in accordance with the affirmative vote of a majority of the Commissioners, the Commission hereby adopts the February 6, 2013 Report and Recommendations of the Hearing Examiner, appended to the original hereof as Attachment "A".

b. That the Commission will not close this docket filed by Chesapeake Utilities Corporation.

c. That the Commission denies Chesapeake's request that the proposed Infrastructure Expansion Rate ("IES") be implemented on an interim basis. At oral argument, the parties agreed that the seven (7) month period contained in 26 Del. C. §306 shall begin as of the date of this Order.

d. That the parties are ordered to enter into a formal Procedural Schedule within seven (7) days of the date of this Order.

e. That the parties shall finalize this docket within seven (7) months of the date of this Order.

f. That the Commission reserves the authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary

SERVICE LIST
(Chesapeake)
PSC DOCKET No. 12-292
As of 11/19/12

Mark Lawrence
Hearing Examiner
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7540
Fax: 302-739-4849
E-mail: mark.lawrence@state.de.us

Susan Neidig
Regulatory Policy Administrator
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7537
Fax: 302-739-4849
E-mail: susan.neidig@state.de.us

Jason Smith
Regulatory Analyst
Delaware Public Service Commission
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904
Tel: 302-736-7549
Fax: 302-739-4849
E-mail: jason.r.smith@state.de.us

Julie "Jo" Donoghue, Esq.
Deputy Attorney General
Delaware Public Service Commission
861 Silver Lake Blvd, Suite 100
Dover, DE 19904
Tel: 302-736-7558 (Dover)
Tel: 302-577-8348 (Wilmington)
Fax: 302-739-4849 (Dover)
Email: julie.donoghue@state.de.us

James McC. Geddes, Esquire
Ashby & Geddes
500 Delaware Avenue, Suite 800
P.O. Box 1150
Wilmington, DE 19899
Tel: 302-654-1888
Fax: 302-654-2067
E-mail: jgeddes@ashby-geddes.com
jamesgeddes@mac.com

William A. Denman, Esq.
Chesapeake Counsel
Parkowski, Guerke & Swayze, P.A.
116 West Water Street
P.O. Box 598
Dover, DE 19903
Tel: 302-678-3262
Fax: 302-678-9415
E-mail: wdenman@pgslegal.com

Jeffrey R. Tietbohl
Vice President
Chesapeake Utilities Corporation
350 South Queen Street
P.O. Box 1769
Dover, DE 19903
Tel: 302-734-6742
Fax: 302-735-3061
E-mail: jtietbohl@chpk.com

Sarah Hardy
Regulatory Analyst II
Chesapeake Utilities Corporation
350 South Queen Street
P.O. Box 1769
Dover, DE 19903
Tel: 302-734-6797 ext. 6201
Fax: 302-734-6011
E-mail: shardy@chpk.com

Michael Sheehy
Public Advocate
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-5078
Fax: 302-577-3297
E-mail: michael.sheehy@state.de.us

Regina Iorii, Esq.
Deputy Attorney General
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-8159
Fax: 302-577-3297
E-mail: regina.iorii@state.de.us

Ruth Ann Price
Deputy Public Advocate
Division of the Public Advocate
820 North French Street, 4th Floor
Wilmington, DE 19801
Tel: 302-577-5014
Fax: 302-577-3297
Email: ruth.price@state.de.us

Andrea Maucher, Public Utilities Analyst
Division of the Public Advocate
John G. Townsend Building
401 Federal Street, Suite 3
Dover, Delaware 19901
Tel: 302-857-4620
Fax: 302-739-3811
Email: andrea.maucher@state.de.us

Andrea C. Crane
The Columbia Group, Inc.

Mailing Address:
The Columbia Group, Inc.
P.O. Box 810
Georgetown, CT 06829

Overnight Mailings:
The Columbia Group, Inc.
199 Ethan Allen Highway, 2nd Floor
Ridgefield, CT 06877
Tel: 203-438-2999
Fax: 203-894-3274
E-mail: CTColumbia@aol.com

Delaware Association of Alternative Energy
Providers, Inc.
Andrew Lambert, President
1000 N. Broad Street, P.O. Box 427
Middletown, DE 19709
Tel: 302-378-2000
Fax: 302-279-8993
E-mail: ALambertSr@SchagrinGas.com

Glen C. Kenton, Esq.
Richards, Layton and Finger
One Rodney Square
920 North King Street
Wilmington, DE 19801
Tel: 302-651-7700
Fax: 302-651-7701
E-mail: Kenton@RLF.com

Todd A. Coomes, Esq.
Richards, Layton and Finger
One Rodney Square
920 North King Street
Wilmington, DE 19801
Tel: 302-651-7700
Fax: 302-651-7701
E-mail: Coomes@RLF.com

Ralph Durstein, III, Esquire
Deputy Attorney General
820 North French Street
Wilmington, DE 19801
Tel: 302-577-8400
Fax: 302-577-5866
E-mail: ralph.durstein@state.de.us

Thomas G. Noyes
Division of Energy & Climate
Delaware Department of Natural Resources and
Environmental Control
1203 College Park Drive, Suite 101
Dover, DE, 19904
Tel: 302-735-3356
Fax: 302-739-1840
Email: thomas.noyes@state.de.us

Pamela J. Scott, Esq.
Associate General Counsel
Pepco Holdings, Inc. Legal Services
500 North Wakefield Drive
Mail Stop 92 DC 42
Newark, DE 19702
Tel: 302-429-3143
Fax: 302-429-3801
Email: pjscott@pepcoholdings.com

Robert Collacchi
Director, Gas Operations & Engineering
Delmarva Power & Light Company
630 Martin Luther King Jr. Blvd
Wilmington, DE 19801
Tel: 302-429-3049
Fax: 302-429-3207
E-mail: bob.collacchi@pepcoholdings.com

David T. Stevenson
Director, Center for Energy Competitiveness
Caesar Rodney Institute
P.O. Box 795
Dover, DE 19903
Tel: (302) 236-2050
Fax: (302) 645-9017
E-mail: davidstevenson@caesarrodney.org